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Founded 1903

Addresses
2000–2001

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THE
EMPIRE
CLUB
OF CANADA

2000–2001
97th Year

HER MAJESTY QUEEN ELIZABETH II
AND PRINCE PHILIP

THE
EMPIRE
CLUB
OF CANADA

Founded 1903

Addresses
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GOD SAVE THE QUEEN

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The Empire Club of Canada

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The Empire Club of Canada

Published by
The Empire Club Foundation

Yearbook Chairman, Edward P. Badovinac
Edited by Edward P. Badovinac

Photography by Charlene MacEachern

Typeset by Fine Impressions, Toronto, Ontario

Printed and bound in Canada by
Gandalf Graphics Limited,
Toronto, Ontario

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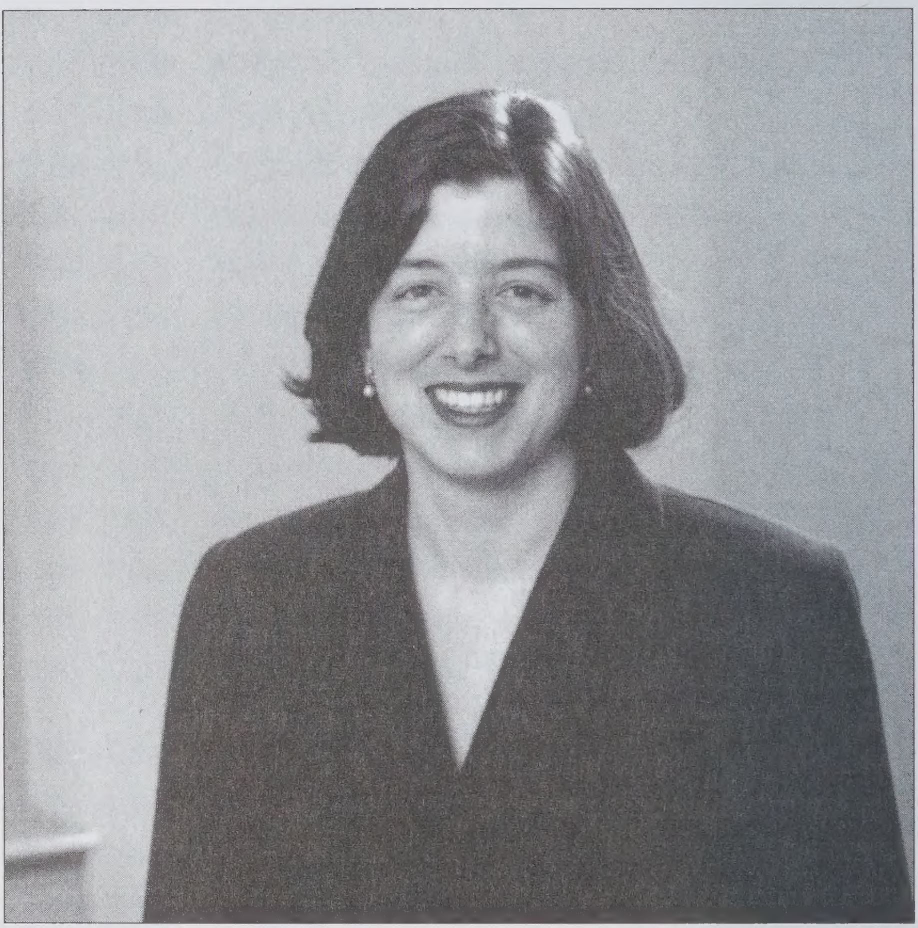

Catherine Steele
President, 2000–2001

The Empire Club of Canada
PRESIDENT'S FOREWORD

It was an honour and a privilege to serve as President of the Empire Club in 2000–2001.

The Club has a proud tradition dating back to 1903 and continues to play a strong role in promoting discussion and the exchange of ideas on issues that are important and of interest to Canadians.

Having joined the Club as a Director in 1998 and then assuming the role of President from my position as Third Vice-President, I must admit that I did not fully appreciate the time commitment involved in running a successful speakers' forum. During my year we offered speakers from a variety of backgrounds including law and order, politics, finance and business, health care, groundbreaking research, entertainment and broadcasting, and environment and energy. One of the highlights of the year was hosting the President of the Russian Federation, Vladimir Putin, with a sold-out crowd of 1,500 attendees and media from around the world.

During my year, we also instituted the first Empire Club Service Award to Rev. Dr. John Niles, an award to recognise those in our community who give their time and caring to those in need. We also raised a record amount of money through sponsorships which helps keep the Empire Club, a not-for-profit Club, alive and running.

I owe a debt of gratitude to the volunteers at the Club who rarely get recognised but keep things ticking along including Willis Blair, Ed Badovinac, Sandy Cameron and Bill Duncan. Their dedication and loyalty to the Club and its history make them one of kind. I am grateful to my Executive and to all the members of the Club who helped organise lunches or get sponsors. And a special thank you to my "big brother" George Cooke who nominated me for a Director of the Club during his term in 1998.

Finally, I owe a thank you to all members and guests of the Club who attend our luncheons and support the Club. In hectic modern times of speakers' circuits and not enough hours in the day to get things done, we are honoured that you take a few hours every month to spend some time with us at the Empire Club. I hope that you have enjoyed our speakers during my term and continue to attend our luncheons. Without your support we could not exist.

Catherine Steele, President 2000–2001

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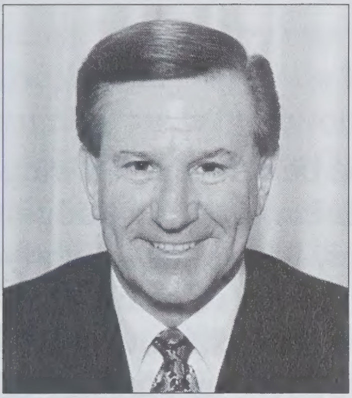


May 3, 2000

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Ernie Eves

Deputy Premier and Minister of Finance,
Province of Ontario

THE ANNUAL POST-BUDGET ADDRESS

Chairman: **Henry J. Pankratz**
President, The Canadian Club of Toronto

Head Table Guests

Catherine Steele, President, The Empire Club of Canada and Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Ltd.; Anthony S. Fell, Chairman, RBC Dominion Securities Inc.; Susan A. Murray, CEO, SAMCI; John C. Koopman, Third Vice-President, The Empire Club of Canada and Principal, Heidrick & Struggles; The Hon. William G. Davis, P.C., C.C., Q.C., Counsel, Torys; Isabel Bassett, Chair and CEO, TV Ontario and Honorary Life Director, The Canadian Club of Toronto; The Hon. Michael H. Wilson, PC, Vice-Chairman, RBC Dominion Securities Inc. and Director, The Canadian Club of Toronto; Joyce Gordon, Executive Director, The Osteoporosis Society of Canada; Henry F. Man, CEO, Concord Adex Developments and Director, The Canadian Club of Toronto; and The Reverend Canon John Erb, Executive Director, The Anglican Foundation of Canada and Director, The Canadian Club of Toronto.

Ernie Eves

It was only five years ago that I stood before you following my first budget. Perhaps you remember that budget speech. The Premier certainly does. It was just slightly shorter than the Jerry Lewis telethon and I remember the Opposition phoning in pledges to get me to sit down.

Yesterday I introduced my fifth budget as Minister of Finance. It was a little shorter. And if you don't know what was in it, simply check next year's income tax return. We balanced the budget. The critics said to us that we could not cut taxes, eliminate the deficit, put more money into education and health care and create 725,000 new jobs in the Province of Ontario at the same time. They said that we might as well try to walk on water. I was in my riding last weekend, but I didn't have the guts to try that.

Balancing the budget is the right thing to do, but finding the right balance is equally as important. Yesterday I talked about how all the numbers balance. Today I want to talk about how those dollars and cents translate into human terms.

Let us think not merely in terms of the value of money—columns and figures, decimals and statistics—but in terms of human values—people and development. Those were the words of Lesley Frost. And those are the benchmarks by which our government measures progress in the Province of Ontario.

The process leading up to this year's budget has given me cause to reflect upon my very first fiscal statement—July 21, 1995—and how far we have come since that day when we were agonising over cutting spending by $2 billion, a quarter of the way into the fiscal year, and we were looking at a deficit of $11.3 billion. They were very difficult days and there were many sleepless nights and many long discussions with the Premier about those agonising decisions. But the key was to try to find the right balance. The fiscal reality was one thing. Putting a human face on the numbers was quite something else.

The last time the Ontario budget was balanced for two consecutive fiscal years, as I said yesterday, was 1942–43 and 1943–44. That is some time ago. It was during the Second World War when Mackenzie King was prime minister consulting goats and his dog. It is not too different today. We have a prime minister consulting with non-existent homeless people and four out of five people living in Ontario were not even born. *Casablanca*, as I mentioned yesterday, won the Academy Award for film of the year.

We have had to make some tough decisions to get to this point. We have done what we have had to do to get 701,000 people working. They wanted to work in 1995 and did not have a job—the dignity of a job. There were almost half a million people on welfare who wanted to be full contributing members of our society and today they are.

I've heard some criticism in the media about the homeless and public housing and how there was nothing in this budget for them. Well not everything that you mention of course in a budgetary process is in the speaking text. But this year, as in previous years, we will be spending over $2 billion on the homeless and public housing in the Province of Ontario. We will be spending another $3.7 billion on social assistance for the less fortunate in our society. And last year we took the $100 million a year that was saved in terms of refinancing public housing in the Province of Ontario and dedicated it to the homeless as well. In addition we set up an emergency $56-million programme for municipalities to produce emergency shelters in the winter months. Maybe that's not enough of a commitment for some people but I think it's a fairly substantial commitment to the less fortunate in Ontario's society.

I was Minister of Community and Social Services in 1985 and those of you who know me know that I have a record of working for disadvantaged people. I have done that all my life. My mentor, my former law partner in Parry Sound, Bill Green, was a well renowned small-l and large-L Liberal. He did a lot of work for disadvantaged people and people in the native community. His wife Beth did a lot of work for the Children's Aid Society when she was the Associate Director.

You don't have to be a socialist to have a social conscience. But you do have to have the financial means to be able to help. I think that's why I entered public life and I think that's why anybody enters public life regardless of his or her political affiliation. That's what it means to me to be a Conservative—a fiscally responsible individual with a large social conscience. I've had the opportunity these past five years to use some of my own personal experiences in life to make changes that matter most to the people of the Province of Ontario.

Special Education and Early Years funding are two pet projects of mine. In yesterday's budget you saw $70 million in remedial programmes for students primarily in the early years from JK to grade 3. We are the government, some forget, who stopped the growth in class size a few years ago and now we are beginning to reduce class size province-wide. And we're starting in the right place—in the primary years. A hundred and forty million dollars more a year is to be spent on special education. This is on top of the $1.2 billion that we're already spending. We are the first government that has made sure that boards of educations actually spend that money on special education as opposed to robbing special education funding to fund other programmes.

Personal experience plays a part here. My son Justin was learning-disabled. I know about his struggles through the elementary and secondary levels of education. I also know that there wasn't one single post-secondary institution in this province that had any real education programme for learning-disabled people after you graduated from high school. Justin was fortunate enough to have parents who could afford to send him to a university in Boston that did have such a programme and had a track record of doing this for 60 years. I know that in spite of all the great things we'd done for public education here in the Province of Ontario, we were 60 years behind the times in terms of special education. We addressed that need in one of my very first budgets and I asked The Honourable Dr. Betty Stephenson to chair that task force which she still does. I'm proud to say that today we have both colleges and universities across this province starting to provide those programmes for the 10 per cent of our student population with learning disabilities. And in yesterday's budget we took Betty's advice again and earmarked some $4 million to identify francophone learning-disabled students across this province because there was nothing in place to help them.

We also took a further step to address the medical requirements of special needs students and we extended it to all denominational schools. It started with another personal experience, a conference call with Frank Diamond of B'nai Brith, Larry Tanenbaum, Isabel Bassett and Charles Harnick. The commitment was finally made and we delivered on that commitment yesterday. It is the fair and equitable thing to do. It is the right thing to do.

Children have always been an important part of my life. In pre-budgetary consultations with June Callwood she and I had an opportunity to chat on several occasions about child poverty, child neglect and abuse. June challenged us and me to take a leadership position. And we are going to respond with a $50-million challenge to the federal government. We will earmark $50 million to help children under seven years of age in single-parent families. This will give each one of these children an additional $210 a year. This is on top of the $1,100 we gave them a year or two ago. I think it is a significant step in the right direction if the federal government will do as much as we're doing. These young people can be helped even more. This isn't a tax credit; it's not a deduction; it's a cheque.

We are committed to help single parents with disabled children at home who, through no fault of their own, are unable to go out and find employment.

We earmarked $5 million for the Prevention and Intravention programme to identify children at risk of abuse at home. I know a little bit about that as well. When my son Justin was at university in Boston he became, relatively speaking I guess, a big brother to two young black children from downtown Boston. One was five and one was three when the teacher of the older one recognised that they were coming to school rather dishevelled day after day and without lunch. Finally, after some three months, they found out that these two young boys had been living by themselves and that their mother, who was a drug addict, had left and was subsequently charged with murder and went to jail. Justin acted as a big brother to these two young gentlemen, who are still part of our extended family and with whom we still keep in constant contact.

Child prostitution. We've addressed that need as June asked us to do with $2 million a year in funding and $6 million for disadvantaged youth to get them involved in sporting activities to give them a meaning and a purpose in life. We've increased child nutrition programmes in schools with the Canadian Living Foundation. We've provided an early intervention Children Witnessing Domestic Violence programme. And we've topped up by $10 million our additional support for women and children in shelters, $5 million for infant hearing recognition and $6 million to expand neonatal level II training in hospitals in the GTA.

Reforming the health-care system. This year we'll be spending some $22 billion on health care in the Province of Ontario. We will reach our target of $22.7 billion, that we set last year, about two and a half to three years ahead of schedule. Some people say that this is not enough and perhaps it isn't.

But just as important, we are reforming the system. Primary-care reform is pivotal to the vision of health care in the future. We want an accessible integrated dependable system providing comprehensive care to patients 24 hours a day, seven days a week. Ontario is at the forefront of that reform and it is our goal working co-operatively with Ontario physicians to have 80 per cent of eligible family doctors practising in primary-care networks over the next four years.

Since 1995, the Ministry of Health has set up primary-care projects in seven communities, again with the collaboration and the assistance of the Ontario Medical Association. We announced yesterday that we will start with a $100-million incentive fund to GPs to move to a network system.

We are spending $150 million on top of that next year to provide for new information systems to support the transition to primary care. We will enhance patient care by an additional $110 million for improved medical supervision in home-care settings and in psychiatric services. We will increase annual funding by $54 million for priority programmes such as cancer care and cardiac care. We are establishing a $180-million system management fund and providing $75 million to transfer doctors in the academic health sciences centres to alternate payment plans.

In July of 1999 our government opened the telephone health advisory service for Northern Ontario. This toll-free tele-health service gives callers access to experienced triage nurses who provide health-care advice, information and referrals. We are now expanding this very valuable service to the entire GTA and eventually to every single community across this province. We are taking action to increase access to physician services especially in rural communities. We are providing free tuition to medical students willing to practise in rural and northern areas following graduation and we will endeavour to work with communities to assist physician recruitment in under-serviced areas.

Infrastructure. I've heard a little bit about the mayor's concern about infrastructure. I don't know how much plainer I could've been in my text. There is $1 billion being set aside in a Superbuild Millennium Fund for infrastructure environmental projects and things that large urban centres across this province consider necessary. There's $300 million in a Sports Culture and Tourism Fund to be accessed by all citizens of the Province of Ontario. There is $600 million in a Small Town and Rural Development Fund so that all those communities across the province can have access to the same things that those in large urban communities do. And there's $300 million to double the size of the Northern Ontario Heritage Fund.

I said yesterday: "We are also signalling today that in response to the innovative and exciting fund report the Ontario government is ready, willing and able to do our part to revitalise Toronto's waterfront and to make Toronto's 2008 Olympic bid a resounding success." I think that's fairly clear. We will be there. Our money is on the table. I'm waiting to see where the commitment from the municipality and the federal government is and I'm not saying this in a controversial manner. I fully believe that this is an opportunity to revitalise the downtown waterfront of the greatest city in Canada, probably, I think, the greatest city in the world. We have that opportunity; we must seize that opportunity, seize the moment and get on with the job.

Post-secondary education. In the last few months we have set aside provincial government money which adds up to $1.8 billion for private-sector partners to do 54 capital projects across the Province of Ontario, creating an additional 73,000 student spaces so that every qualified student has the ability to attend post-secondary institutions.

We have tripled the Innovation Trust Fund adding $500 million to an existing $250-million base.

We have doubled the Research and Development Challenge Fund from $50 million to $100 million a year so we can embark upon cancer research and eliminate breast and prostate cancer. Scientists have told me that this is not too far away. If we can only develop our concerted approach, a co-operative approach, we have the ability to do that, ladies and gentlemen, right here on University Avenue, one of the greatest medical research areas in the entire world. We can make a difference to stroke victims. Thirty million dollars have been set aside for the Canadian Stroke Strategy. There's probably almost nobody in this room who hasn't been touched by death or disability as a result of stroke, myself included. We added a performance-based funding yesterday—grants for colleges and universities that take part in research and that make a difference. That was a special request by Robert Pritchard and others and one that makes sense to me.

I think we've brought accountability into the system. I think that is what government is all about. There is only one taxpayer, ladies and gentlemen. We have built the foundation I believe for a very bright future where consecutive balanced budgets will become the norm, not the exception.

We've brought about what some call radical changes to Ontario. I will leave for others to determine how radical these changes really are. I'm not so sure how radical an idea balancing the budget really is. Most of you would probably call it common sense. I'm not sure how radical an idea it is that a child in Red Lake should have the same opportunity to a quality education as a child in Rosedale or that both families have a report card that they can understand and realistically assess their child's progress. I'm not sure how radical it is to want to restructure a health-care system that is servicing a growing population that is living longer. They want to be treated at home, instead of waiting in an antiquated hospital quarter built in the 1950s. I'm not sure how radical it is to simply want and expect safe communities for our families and for our children.

Maybe some of you don't share all the views that I've expressed today. Maybe some of you wish your taxes were going up, not down, that you had more forms to fill out and more red tape to decipher, as you try to grow and expand your businesses, but somehow I don't think so.

I'm very proud of what we have accomplished as a government here in the Province of Ontario. I am proud to say that the income tax cuts we have introduced have paid real dividends in terms of a strong economy and jobs. But in the end it is the working women and men of this province who really deserve the credit for that remarkable turnaround over the last five years.

I concluded the budget yesterday with the announcement of a taxpayer dividend, a matter of some small controversy I see today. I don't think there is anything strange about returning $1 billion to the Ontario taxpayer in the form of a tax rebate of up to $200 each. It has been criticised by some, but I think what differentiates our government from others is that we understand that that is not our money. That is your money. You earned it. And all we're interested in doing is returning some of your own money to you. It is a form of an additional tax reduction. It will certainly help those at the more modest end of the income scale more than it will those at the upper end of the income scale. But I think for once and for all we have to get out of our heads that government is there to hurt you, to steal some of your money, to take more of your money. You are the one who earns it. It's yours. If you don't want the $200 you can donate it to the charity of your choice. You spend it or invest it the way you want. And help whom you want.

You elected us to spend your money wisely, cautiously, and with prudence. I think we have done that. A modern budget is not simply a bookkeeping statement or a testimony to fiscal management. It is a deliberate instrument of social and economic guidance. It is part of the very fabric of our society and our economy. I think that when you have cause to reflect upon the last five years and yesterday's budget you will come to conclude the same thing that I have—balanced budgets do indeed mean brighter futures for all Ontarians. Thank you very much.

The appreciation of the meeting was expressed by Catherine Steele, President, The Empire Club of Canada and Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Ltd.

May 11, 2000

John Cassaday

President and CEO, Corus Entertainment Inc.

GOING HEAD TO HEAD WITH GLOBAL GIANTS IN THE DIGITAL PLAYGROUND

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Ann Curran, President, Curran Corporate Advisors Inc. and Second Vice-President, The Empire Club of Canada; The Rev. Prue Chambers, St. Nicholas Anglican Church, Birchcliffe; Locksley Beckford, Senior Student, Danforth Collegiate and Technical Institute; Sandy Perlman, Director, Advertising and Branding, AT&T Canada; Christine Hughes, Portfolio Manager, The AGF Canadian Balanced Fund, AGF Management Inc.; Michael Bregman, Chairman and CEO, The Second Cup; Gareth S. Seltzer, Director, TWS Private Management, President Traffic511.com and Past President, The Empire Club of Canada; Grant McCutcheon, Director, Lawrence & Company and Managing Director, Lawrence & Co's Canadian Technology Fund; George M. Irwin, President and CEO, Irwin Toy Limited; and Forbes West, Senior Vice-President, Hill & Knowlton.

Introduction by Catherine Steele

It is my privilege to introduce to you our guest speaker, Mr. John Cassaday, President and Chief Executive Officer, Corus Entertainment.

When most of us think of Canadian broadcasting, the publicly funded CBC would likely be the first thing to come to mind, with programmes made and broadcast in Canada like *Front Page Challenge* or the late *Friendly Giant*. But in reality, Canadian broadcasting is so much more, and through the efforts of our guest here today, becoming even greater.

John Cassaday and Corus Entertainment are in fact, redefining what we and others around the world think Canadian broadcasting is all about. Competing on an international stage, they are working to maximise their expertise by carving out a niche in music and children's programming.

Corus Entertainment is one of Canada's biggest and fastest-growing media companies. With 31 radio stations such as The Edge 102, a number of specialty TV channels and services including YTV and Country Music Television, and holdings in Treehouse TV and Teletoon, Corus is a strong, integrated Canadian media company.

Listed on the Toronto Stock Exchange since 1999, yesterday marked the first day of trading by Corus shares on the New York Stock Exchange.

John Cassaday is President and CEO of Corus Entertainment. Previously, John spent seven and a half years as the President and CEO of CTV Television Network. John is literally one of the few people who can say he's covered everything from soup to nuts (no offense to those in broadcasting), because prior to CTV, he held executive positions with Campbell Soup.

He sits on many boards including Manulife Financial, Loblaw Companies Ltd. and Premdor Inc. and is an active volunteer in the community. John has an MBA from the Rotman School of Business at the University of Toronto and was honoured in 1998 as their most distinguished alumni.

Ladies and gentlemen, please welcome Mr. John Cassaday to The Empire Club of Canada.

John Cassaday

Good afternoon ladies and gentlemen. It is indeed a pleasure to talk to you today about one of the greatest challenges facing the Canadian broadcasting industry—

going head-to-head with global giants in the digital playground.

The Empire Club, founded almost 100 years ago, has been addressed by many prominent Canadians and international leaders. On behalf of Corus and my colleagues, we are proud to add the name of Corus Entertainment, one of Canada's newest and fastest-growing companies to the roster.

Over the next few minutes, I will review the environment in which Canadian broadcasters are operating; talk about the role Corus can play in this new environment; and finally, close with thoughts on where we need to go from a policy point of view if Canada hopes to retain control of its cultural sovereignty.

Over the last few years, we have witnessed a pace of technological change that has impacted the global entertainment and media business in a way that is unparalleled in history.

Rapid deployment of "connecting" appliances like the Internet and digital set-top boxes, coupled with major advances in the quality of the customer's on-line information and entertainment experience, have made dominance of the digital playground, in one form or another, the cornerstone of virtually every business strategy around the world.

High-speed Internet access provides the means of streaming video and audio, and delivering new entertainment choices to our homes and offices, including virtual radio stations by the hundreds.

Wireless technology provides Internet access anywhere, anytime; digitisation of music permits easy downloading to small portable devices; personal video recording devices such as TiVo store television programmes for easy and convenient access.

Gaming platforms have emerged with Internet and e-commerce applications and enhanced digital technology provides expanded programme offerings, interactivity and increased viewer choice, including real video on demand—the ultimate in choice and flexibility for the consumer.

This is all great news for the consumer, especially the newly emerging, techno-savvy youth for whom multi-tasking and interacting is second nature.

However, it forces entertainment corporations to reinvent themselves in order to survive. The old business models simply don't work. They don't work in the entertainment industry and they don't work elsewhere.

Even the rock-solid General Electric has been forced to react.

Back in 1998, nothing big was happening at General Electric regarding the Internet. Then, as reported in the Spring 2000 Corporate Board Member Report, Jack Welch had an epiphany. Some say it was a dinner with Microsoft CEO Bill Gates. Others credit Welch's Christmas foray into on-line shopping and vacation planning.

Maybe it was some shaggy, net-savvy Gen-Xer he stealthily pulled into his office for private surfing lessons. Whatever the trigger, by January 1999, GE's Chairman and CEO had seen the empire-shattering force of the Internet and was instructing his senior executives to figure out fast how it could destroy their businesses and how to recreate them to survive and prosper. The two-pronged campaign became known as DYB (Destroy Your Business).com. and GYB (Grow Your Business).com.

It is early days yet for the entertainment industry, but winning efforts to dominate this new digital, interactive entertainment milieu of the future have concentrated on finding the right combination of content and delivery.

As such, world-wide merger frenzy is the order of the day as traditional media companies search for ubiquitous digital-delivery systems while delivery systems search for a source of that magical "added value" and truly interactive content. Simply stated, it is the blending of carrier and content.

Mega-mergers, the likes of Disney and ABC, CBS and Viacom, and most notably, AOL/Time Warner are shaping a group of towering entertainment companies that are ready to compete anywhere in the world, across any entertainment platform.

As many have already pointed out, apart from the sheer size of these mergers, there is nothing groundbreaking about the notion of integrating carrier and content. The difference is that in the U.S., the barriers between content and distribution have virtually been eliminated and this integration is, in fact, encouraged.

It sounds simple, but are we (the Canadian Broadcasting Industry) really positioned to compete in this global playground where carrier and content work in harmony? Do we have the right asset base, critical mass, vision, and, importantly, structure to succeed? If not, what can we do about it?

How will Canadian entertainment companies fare in the future in light of these massive changes? To date, this movement has precipitated some swift reactions in Canada—the competing bids by Quebecor and Rogers for Videotron; the proposed Rogers/Shaw asset swap; and the announced BCE purchase of CTV, to name a few. In our view, this type of growth and consolidation is essential but not enough.

Canadian entertainment companies have already proved that they are resourceful. We believe that in order to stay ahead of the curve, we must create policies and practices that lead the way to the creation of strong vertically integrated companies. Clearly, we believe Corus, like others, has an important role to play.

Corus was established as a structurally separate company in September of 1999. It was spun out of Shaw Communications to enhance shareholder value and to comply with the 1995 CRTC policy on convergence which generally discouraged distribution companies from controlling content. At least, in the first instance, it has been a huge success. The combined values of Shaw and Corus since the split are up an astounding 94 per cent and yesterday Corus was listed on the New York Stock Exchange.

In just eight months, we have, through numerous acquisitions and internal growth, created a company at Corus with a market cap of $1.5 billion. With respect to the regulatory recognition of our separation, we don't know the impact yet. We appeared before the CRTC at the end of April regarding our acquisition of the WIC programming and radio assets and we will not know until later this summer if we will get approval.

Since our launch, we have demonstrated our commitment to make a significant contribution to the Canadian broadcasting system. We have put in place our keys to success: a well-funded resource base with a notably strong synergistic investor in Liberty Media; a strong management team with extensive industry experience; and a dedication to building on the accomplishments of our existing services to create, promote and expose more Canadian programming and artists of distinction—the kind that appeals not just to Canadians but to audiences worldwide.

We hold a belief that Canadian content "works." Our mission is to develop, promote and exhibit Canadian talent to the world, particularly as it relates to kids and music.

But we're not there yet. As we sit here today, we are surrounded by an environment that is ripe for nourishing the creation of "tall trees" for the Canadian Broadcasting system—organisations that can rise above the global fray and become beacons for Canadian sovereignty.

As Canadians, we hold the view that we need "tall trees" to safeguard and develop our cultural heritage to promote the growth of solid, vigorous media companies that can withstand the onslaught of giants like AOL/Time Warner.

It is true that we have enjoyed some great successes. In music, the Bare Naked Ladies, Our Lady Peace, Shania and Terry Clark. In kids programming, *Dudley the Dragon*, and *Franklin*.

But, we need "tall trees" like Corus is poised to become to ensure that Canadian artists and Canadian programming continue to be developed and have outlets for their expression regardless of the platform, and as "tall trees" ensure that resources are in place to enable the export of outstanding Canadian product to the world market.

We must collectively take responsibility to look into the future of this rapidly consolidating global market and make some very important decisions. We must decide what will most benefit the Canadian broadcasting system in this radically changing world. We must create a legacy that provides the foundation for Canadians to become respected on the international stage.

This will take (1) enormous staying power, (2) Canadian creativity, (3) ingenuity and (4) the sheer power that comes from the accumulation of critical mass. There is now an opportunity for unique partnerships in Canada that would have been unthinkable in the past.

For example, Corus recently partnered with the CBC on two important new digital channel applications—a Canadian Documentary service and Land and Sea, a service dedicated to rural Canadian and Canadian country lifestyle. Another recent example of partnership is our joint venture, Cooleh.com a Canadian-dollar-denominated auction site with Torstar. Cooleh will provide the e-commerce platform for Corus on-line activities.

Why? Because of the significant changes in the broadcasting environment over the past five years. In addition to the Internet, competition among distributors is growing exponentially with the success of DTH and MDS. It is estimated that DTH alone will have more than one million subscribers by the end of this year.

In Western Canada, ExpressVu and Star Choice deliver more subscribers to the premium television services, Superchannel, MovieMax and Viewers Choice, that we hope to acquire as part of the WIC transaction, than Shaw or Rogers. As the digital environment creates new and better opportunities to deliver content, we are challenged to develop content that successfully targets distinct segments of interest and that is exportable.

So what are the important policy issues that must be addressed if we are to compete in this rapidly consolidating global market?

First: Ownership. Minister Copps has announced, in light of the recent Hollinger decision to divest certain assets, that she will review the foreign ownership guidelines in Canada. It seems the options are more foreign ownership or stronger vertically integrated Canadian media companies. Both options have certain advantages. This will be an emotional debate and it will, once again, focus the world's attention on the trade implications of Canada's protectionist cultural policies. Will they endure? Should they? We believe we need to encourage the development of strong Canadian companies forcing us to also re-examine our current definitions of market dominance and product definition.

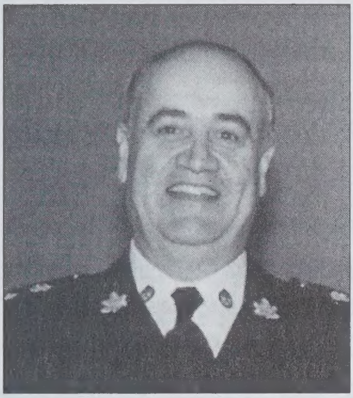
Second: Where will the money come from? As an industry, we know Canadian content is our competitive advantage in our increasingly borderless world. Government funding remains an important aspect of ensuring Canadian stories are on our screens. The renewal of the $200-million Television Fund in next February's budget is essential. This funding leveraged $750 million in television production in 1998/99. Our domestic markets are small. Government is an essential partner. But new sources of funding will be necessary as well and that is where companies like Corus come in. We need to see changes to encourage private broadcasters to act as full partners in programme production. The traditional silos will continue to blur, but they do not have to break down. We can create a win-win situation if broadcasters are allowed to invest in distribution rights over and above our domestic licence fees.

Third: Regulation. Recent patterns of CRTC decisions are steps in the right direction. In the past two years, the CRTC has announced new policies for the future direction of the Canadian radio and television industries, recognising the benefits of consolidation. They also developed an innovative approach to the licensing of new digital channels and were one of the first regulatory agencies to establish a framework for new media.

The CRTC is providing flexibility and new tools, but there will be pressure from those who are still looking in the rear view mirror. We urge the CRTC to remain flexible and join as a partner in innovation.

Thank you.

The appreciation of the meeting was expressed by Gareth S. Seltzer, Director, TWS Private Management, President Traffic511.com and Past President, The Empire Club of Canada.



May 18, 2000

Julian Fantino

Chief of Police, Toronto Police Services

THE ROLE OF POLICE IN SOCIETY

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Bart J. Mindszenthy, APR, Partner, Mindszenthy & Roberts Communications Counsel and Director, The Empire Club of Canada; Michael Clarke, CM, Instructor, Police Foundations, Humber College and Director, Easterling Technology Corporation; Zoraya Castañeda, Honours Student, Parkdale Collegiate Institute; Robert G. Douglas, Vice-President, Private Client Group, Merrill Lynch Canada; The Hon. Henry N. R. Jackman, CM, KStJ, BA, LL.B. LL.D, OO, Chairman and President, E-L Financial Corporation Ltd. and Honorary Chairman, The Empire Club of Canada; Heather C. Devine, Associate in Litigation, Fasken Martineau DuMoulin LLP and Director, The Empire Club of Canada; William J. McCormack, OStJ, Retired Chief of Police, Metropolitan Toronto Police Force and Honorary Director, The Empire Club of Canada; and George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.

Introduction by Catherine Steele

It is my privilege to introduce to you our guest speaker, Julian Fantino, Chief of Police, Toronto Police Services.

Visitors to our city often remark that Toronto has all the attractions of a big city without the big city fear or crime that go with it.

While public safety consistently remains one of the top concerns of Canadians, I think it's fair to say that most of us don't give a great deal of thought to the people who dedicate their time and their lives to keep us safe.

A recent monument erected and unveiled at Queen's Park dedicated to police officers in Ontario who lost their lives in the line of duty serves as an important reminder of the commitment made every day by police forces across the province.

Chief Fantino's appointment and arrival in Toronto was greeted with much fanfare and great media interest. Following the footsteps of previous well-respected chiefs like Bill McCormack, expectations were high.

Since his appointment on March 6, Chief Fantino has certainly met these expectations and is demonstrating with his actions that his belief in the principles of integrity, honesty and accountability in policing goes beyond just words. No doubt you've seen Chief Fantino on nightly newscasts because he's been hard at work at building relationships with community groups across the city, addressing issues affecting youth and taking action with his own force on disciplinary issues.

Chief Fantino has a long history of service in policing. His previous roles include Chief of York Regional Police Service and Chief of the London Police Service.

In being appointed Chief of Toronto Police Service, Chief Fantino is coming full circle since he spent 23 years of service with the Metropolitan Toronto Police before becoming Chief in London.

During his time with the Toronto Police Force he served in various areas including undercover drug enforcement, uniform patrol, criminal intelligence, homicide squad and as a division commander.

He has lectured extensively to the police community, government and the public sector on police-related matters and public safety issues. He is Past President of the Ontario Association of Chiefs of Police and Past Chair of Criminal Intelligence Services Ontario.

He is the recipient of many awards including an award of appreciation from the Jane-Finch Multicultural Association and the Jane-Finch Fights Back Committee; Volunteer of the Year from the London Urban Alliance on Race Relations; and the Award of Excellence from the Criminal Intelligence Service Canada.

Ladies and gentlemen, please welcome Chief Julian Fantino to The Empire Club of Canada.

Julian Fantino

"They must stand up for and champion rights for those who have been left behind, speak out and do so loudly to address inadequacies and do so with honesty and conviction, take risks and provide meaningful leadership."

Those views referencing the role of police in society were expressed by then Calgary Chief of Police Gerry Borbridge during his presentation on Community Policing at The Police, The Community and the Administration of Justice Seminar held in Calgary, August 1991.

Good afternoon everyone!

It is a distinct honour for me to have this opportunity to share with you my sentiments on issues that relate to the role of police in society, and more particularly, the role of police in our communities.

In many ways policing is an increasingly complex task. Over my policing career, in various capacities, I have seen many changes, some good, some not so good, that have influenced our profession. Police work in the traditional sense has always maintained as its focus the duty to fight crime, solve problems and basically enforce the laws of the land.

No matter what cosmetic treatment is given to the profession, police organisations will continue to be the constant in people's lives primarily concerned about public safety, security and quality-of-life issues.

Regardless of debate, the lawmakers and the public at large must remember that uppermost in the hierarchy of needs, people expect to be safe and protected. In very simple terms, law-abiding, decent people legitimately expect to be insulated and protected from those in our society who are intent on pursuing criminal behaviour.

Over recent years we have seen an inordinate amount of attention focused on the policing profession, some of it worthwhile and constructive, too much of it rhetoric and a waste of time, energy and resources, and but for a relatively few occasions the conduct and performance of our police officers is beyond reproach.

The way I see it at least, crime, violence, the proliferation of firearms and their use, youth gangs, drugs, the sexual victimisation and abuse of children are but symptoms of the real problem. I am moved to ask, in the final analysis, when the symptoms and the causes of diminished safety in our society continue to be neglected, and the causes of crime ignored, who other than the police will continue to form the thin blue line separating the good from the bad and provide some degree of public safety from otherwise certain anarchy?

Trust me, folks, although we have our limitations and no doubt we are not perfect, when it comes to accountability, the policing profession is both honest and honourable.

Police officers know they are providing an invaluable service. We are making a difference and our people are highly motivated to persevere in the cause of law and order regardless of frustrations. I am convinced that our contribution is in fact important to the majority of citizens who happen to appreciate the service we provide, and that very reality continues to inspire me as I go about leading a truly glorious Toronto Police Service into the new millennium.

Police have traditionally enjoyed a great deal of support from our citizens, the very people who give the police the legitimacy to protect them. In other words, the community will generally receive the type, quality and quantity of policing it wants and is willing to sustain. And that is where the concept of Community Policing is validated and reinforced.

We should examine the meaning of community. In human geography, the term community is used to define a group of people living in the same village, town or suburb in a sympathetic association. In the context of policing, there is now a distinct difference between a geographic community and a community of interests. Crime, disorder, and fear of crime can help create a community of interest within a geographic community. Essentially, community policing reflects a set of community values, rather than a technical orientation.

Community Policing does work (I know from personal experience) but I also know that Community Policing is neither cheap nor an easy fix for crime and disorder. In fact, at the outset at least, Community Policing initiatives are very labour intensive. Long term, however, the accomplishments derived are absolutely outstanding.

The obvious benefits of a shared responsibility are the forming of partnerships—the police and the community working closely together to solve problems and provide an enhanced feeling of comfort and quality of life available to the citizens and greater satisfaction for police officers. The philosophy of Community Policing requires contemporary strategies that support programmes that are pro-active rather than reactive, crime prevention rather than crime management, with a concentrated focus on community well-being.

Policing in the structured sense has come a long way. If anything, we seem to have come full circle from the days of Sir Robert Peel, who in 1829 formed the first police service. His belief that "the police are the community and the community are the police" has become the contemporary focus of most police organisations. Certainly this has become our vision at the Toronto Police Service.

By way of anecdote allow me to share a gem with you. A law manual published by W.J. Coates of Toronto in 1835 notes the power of police constables of that time. According to that authority: A constable had to live where he served and enforce various statutes. He was also generally authorised without any warrant to arrest all traitors, felons and suspicious persons, and all those whom he should see upon the point of committing treason or felony, or doing any act which would manifestly endanger life.

Admittedly, that was pretty powerful authority. But it got the job done, in those days at least. If we did that today, the jails would be filled with police officers while the jail-keepers would probably be the criminals.

Be assured that regardless of frustrations, as a profession we will continue to provide to our citizens the most professional, efficient and dedicated police services that will ensure:

1. Enhanced public safety, security and quality of life by working with our citizens to solve problems;
2. Enhanced officer safety;
3. Enhanced resolution of crime and crime prevention;
4. Enhanced resource management;
5. Enhanced community-based policing, including support for the victims of crime and all law-abiding citizens.

To believe that any community will forever remain relatively free of drugs, violence, youth gangs, organised crime and a deteriorating quality of life, in my respectful view, is simply naive. I for one caution against complacency and rhetoric about the realities of crime and victimisation, including the "crime is down" refrain that tends to lull people into a false sense of comfort.

Let me remind everyone that a mere 12 years ago, police officers in Canada knew very little about "crack cocaine." Some of us heard about it. We had very little awareness of the havoc it was beginning to generate in some neighbourhoods in some of the major American cities.

Until we began to see it surface in Canada we did not even know what it was, how it was made, the depth and organisation of distribution, and most certainly had little experience about the degree of violence it generated.

A short 12 years later, whole communities have become crack cocaine battlefields where the dealers are ruthless, well-armed, highly organised and their victims are children, families and the well-being of community life.

As well, we know from experience that 50 to 70 per cent of all community-based crime—break and enters, robberies and the like—are drug-related.

In the United States, and although admittedly to some lesser degree in Canada, an entire generation of inner-city children has grown up thinking that guns, drugs and violence are all there is to life. Regardless of crime statistics, my concerns have been more than validated by the stunning incidents of gunfire, murder and havoc that I personally witnessed this past Easter weekend.

Having said the foregoing, however, I think it inappropriate that I leave you with a negative outlook about every aspect of safety and security of our communities. And certainly, I would not want to leave you with the notion that I am a doom-and-gloom person or an alarmist. Far from it. In fact, I place a great deal of faith in the men and women, civilian and sworn, of our police service and our willingness to work hard with our citizens to ensure optimum public safety.

Certainly, a great deal of the credit for the existing healthy status of the profession flows from all those people, present and past, who have laboured and contributed to the enviable reputation of a glorious profession; a profession that is truly dedicated to serve and protect—working with the community.

I am very proud to be a police officer and humbly acknowledge my good fortune. I also recognise, as any good strategist should, that the strength of any organisation is the depth, quality, commitment and dedication of its people, who routinely rise to high levels of achievement, professional conduct and service. I call this valuing people and I value the members, civilian and sworn, of the Toronto Police Service!

My personal beliefs are influenced by the powerful words of John F. Kennedy: "Things don't just happen. People make things happen."

In that context, it is my belief that in years to come it will be the partnership of police and community, working together in a climate of mutual respect, understanding and co-operation that will, like no other strategy or innovation, ensure that our citizens continue to enjoy a truly enhanced quality of life and that our police officers also benefit, personally and professionally, from their efforts as the keepers of the public peace. Partnerships work; real partnerships get the job done.

Thank you for your continued support.

The appreciation of the meeting was expressed by George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.

Robert G. Douglas, Vice-President, Private Client Group, Merrill Lynch Canada and Julian Fantino, Chief of Police, Toronto Police Services.

May 25, 2000

Tom Long

Candidate for Leadership of the Canadian Reform Conservative Alliance Party

PRIORITIES FOR A CANADIAN ALLIANCE GOVERNMENT

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Gareth S. Seltzer, Director, TWS Private Management, President, Traffic511.com and Past President, The Empire Club of Canada; Reverend Stephen Drakeford, Associate Priest, St. Mathews Anglican Church, Islington; Anastasia Annina, OAC Student, Parkdale Collegiate Institute; Andre Turcotte, President and CEO, Feedback Research Corporation; The Hon. Frank Klees, M.P.P., Minister Without Portfolio and Chief Government Whip, Government of Ontario; The Hon. Henry N.R. Jackman, CM, KStJ, BA, LL.B, LL.D, OO, Former Lieutenant-Governor of Ontario, Chairman and President, E-L Financial Corporation Ltd. and Past President, The Empire Club of Canada; John C. Koopman, Principal, Heidrick & Struggles and Third Vice-President, The Empire Club of Canada; The Hon. Pauline Browes, Vice-Chair, Ontario Environmental Assessment and Appeal Boards, Former Minister of State for the Environment of Canada and Former Minister, Indian Affairs and Northern Development; Jim Jones, M.P., Member of Parliament, Markham; and Robert J. Dechert, Partner, Gowling, Strathy & Henderson and Immediate Past President, The Empire Club of Canada.

Introduction by Catherine Steele

It is my privilege to introduce to you now our guest speaker, Tom Long, candidate for the leadership of the Canadian Reform Conservative Alliance party.

Those who follow or study politics can tell you what they believe are defining moments in Canadian national politics. Events like repatriation of the Canadian Constitution and the Quebec referendums of 1980 and 1995—historic moments for Canada where a decision taken set the course for the future of our country.

The creation of the Canadian Alliance, a new national political party, and the selection of its first leader are history in the making and should be regarded as one of those defining moments for Canadians.

The Alliance is built upon the grassroots support of Canadians across the country who want an alternative, someone to listen to their concerns, take them seriously, and do something about them as their representatives in Ottawa.

Since its official birth this past January, stories about the Canadian Alliance have been everywhere—on TV, on the radio and in newspapers across the country.

Throw in a leadership race and the result is, and has been, wall-to-wall media coverage of every move and spoken word of the candidates running for leader of the Canadian Alliance.

Our guest today, Tom Long, is one of the reasons for this heightened interest in the leadership race. At the recent Premier Harris dinner here in Toronto, Tom was easy to spot in the crowd of over 3,000. He was the one in the middle of the crush of reporters, TV cameras, and lights moving throughout the room. Our luncheon here today is sold out and I believe we have a record crowd here today with over 350 people.

Tom was born and raised in Sarnia as the eldest of four children. He earned a law degree from the University of Western Ontario in 1982 and was called to the bar in 1984.

In addition to being an associate at two law firms, Tom held an executive position with Dom Group Limited, one of Canada's major retailers and led the establishment of the Toronto practice of Egon Zehnder International, a leading international search firm.

Having been involved in conservative politics since 1972, Tom has worked in the Prime Minister's office, and managed election campaigns for former M.P. Pauline Browes. He is also Past President of the Ontario PC party and his role as the architect of the Common Sense Revolution is legendary.

He chaired the 1995 Mike Harris election campaign, leading the team to victory and carried out that role again in 1999 giving Mike

Harris and his team the first back-to-back majority victories since the days of John Robarts. He was also the Co-Chair of the founding convention of the Canadian Reform Conservative Alliance.

Ladies and gentlemen, please welcome Tom Long to The Empire Club of Canada.

Tom Long

Thank you very much and Catherine thank you for that warm introduction.

Before I get into what I came here to say today, I feel that perhaps I should comment on the front page story in *The Globe and Mail* today. I want to start with the good news. My campaign is doing just fine. But I do want to say that I was somewhat troubled by the suggestion in that story that there may be those becoming involved in our new party who believe we can put walls up to try to keep people out. I want folks out there to know that as a candidate for leader and prime minister I simply will not tolerate discrimination of any kind. I'm a pro-family, pro-life guy but I also believe that you don't have to tear anybody else down in order to support the things that you believe in. Our party is going to be inclusive, we are going to reach out to people from all across the country, and we are going to keep the doors wide open. I don't believe for a minute that this country needs another party that's going to divide it. I think we need leadership in this country that's going to pull us together.

I'm proud of the fact that members of my campaign are telephoning people asking them to join, not making lists of people we want to keep out. I believe that's the kind of party we want as the Canadian Alliance. I think it's the kind of country we want. If we don't keep the doors to this party open we're not going to win a campaign and nor will we deserve to win a campaign. We have to be open and inclusive for Canadians from all across this country.

Now I've got to be honest with you. I'm about as surprised as many of you are that I'm standing up here. I hadn't planned on being a candidate for the leadership of this party. I'm a businessman. I've been lucky in my life. I've been able to volunteer my time to the political causes that I believe in. I've always had the opportunity to fight for small-c conservative values. I had the fortunate chance to be President of the Ontario Conservative party when we were rebuilding after the voters invited us to take a bit of a breather. I was very fortunate to have the chance to stand by my very good friend Mike Harris in two tough but important election campaigns. I was there with Mike Harris when he was 32 points behind in the polls. There weren't a lot of people who were betting that Mike Harris could win that campaign. I believed in him. Mike believed in Mike and my mother was sort of 50-50. But he stood up for what he believed in and he gave the people of this province a different path, a different way, and a better future for our province. He didn't apologise for his views and he told the people of Ontario that if they elected him that he would do what he said he would do. I've never been prouder than in those two election campaigns when I could help someone who's as fine a leader and as committed a Conservative as Mike Harris.

I think that these are extraordinary times. It's true that I have never sought public office. I haven't spent much of my life in or around government. I'm a small businessman. I actually think the fact that I haven't been elected is one of my strongest assets. I haven't been part of the system. I haven't gone to Ottawa to find out all the reasons why things can't happen. I think this country needs shaking up and I think we have to change the way that we do business in Ottawa.

I'm not just here today because I'm a businessman. I'm here today because I'm a father. I have three children—a girl Melissa who's 17, a bright and wonderful kid, a little boy, Michael, who's 12, and Lesley and I have a little girl

Felicity who's three. Here's an example of bad planning. We're going to have another baby about a week before the vote. I think I'll be campaigning in about a four-block square area in the week before our baby is due.

Melissa, like a lot of kids her age, is thinking about her future. She's thinking about where she is going to go to school. She's thinking about what kind of career she wants to have. She's thinking about where she's going to live. Kids today know a lot more about the world and about the way things are than they did when I was that age. They think more about the wider world we all live in, and so she, like a lot of kids her age, is thinking about the United States. In the weeks that I've been in this race I haven't gone to a meeting in any part of this country when I haven't had someone come up to me and tell me a very similar story about a son or a daughter who doesn't live in Canada anymore. They're in New York or Chicago or Atlanta or San Francisco or they're living in London, England or Australia. They're seeking opportunities outside our borders. That's not entirely bad because there is a globalising economy and it is a good thing for our young people to be exposed to different countries and cultures, and different ways of doing things. What I'm concerned about is that we are losing our standard of living and we're making it that much easier for our kids to make the decision to go. I want my daughter here in this country. I'm a dad. I want her to be close to me. But on the other hand I want the best for her. People come up and tell me their stories about their young kids who have left the country and I think it is a measure of how we are slipping as a nation that increasingly our children are only coming home at Christmas. I'm in this race because I want to change that.

I want to lead a party that's going to start a debate that will be every bit as thorough, every bit as vigorous and every bit as important as the debate that we had on free trade in this country in 1988. I want to ask the people of this country to dig deep down inside themselves and think about what the future of this country could be. I want to ask Canadians to think hard about the choices that we are going to make as a country now, not in 10 years. John McCallum, who's the Chief Economist at the Royal Bank of Canada, has talked about the decline in our standard of living. He said that 10 years ago our standard of living, which he defined as per capita of disposal income, was about three-quarters the level of the United States. Today, even after having several very good economic years, we're now down to about two-thirds the level of the Americans. And John says that without a change in our course, in 10 years' time we're going to be at about 50 per cent of the American level, about half that of the United States. My friends, that's just unacceptable. That's why we need a change; that's why we have to make a U-turn towards prosperity. I want to challenge Canadians to reach for the goal of turning Canada into the leading wealth-creating nation on the face of the earth. Our goal is to simply make Canada the world's leader, the global standard.

That is why I want to tell you about the priorities that I would have and a Canadian Alliance government would have. I want to start with our economic plan which is so fundamental to turning Canada in an exciting new direction. The cornerstone of that plan is our 17-per-cent single personal income tax rate. It's a big bold tax change for every Canadian tax payer. This change will cut income taxes dramatically. For example, the average two-income two-child family of four will have $2,000 more left in their pockets once our plan is completely implemented. Single-income earning families will do even better. They'll have close to $4,000 to spend on things that really matter to them. What's important in this plan however is that every single tax payer in this country will pay less, significantly less, in personal income tax when the Canadian Alliance government implements its plan. It means that hardworking Canadians are going to have significantly more means to do the things that matter for them and their families.

Now we've seen what this kind of tax relief can do right here in Ontario. When we had powerful tax cuts, they helped us to achieve record high levels of job creation. They spurred investment and growth in our economy. Many more people are working here in Ontario today. Nearly three-quarters of a million more people have jobs in Ontario thanks to Mike Harris. So many more of them are working that even at lower tax rates revenues have climbed.

What we need today is an integrated comprehensive tax-cut plan. Cutting personal income taxes is the essential first step but it's not enough in and of itself. We need the one-two punch of personal and business tax cuts to get our economy rolling. And that's why we must reduce capital gains taxes. The Chretien Liberals in the last Martin budget proposed a capital gains inclusion rate of 67 per cent. What I'm advocating today is that a new Canadian Alliance government cut the inclusion rate on capital gains to 50 per cent and these included gains will be taxed at a single 17-per-cent rate. The effective federal capital gains rate would drop to 8.5 per cent. The combined federal-provincial rate for capital gains will fall below the U.S. long-term tax rate of 20 per cent. To put that into plain English, we'll stop being a place where taxes curb initiatives and enterprise and instead Canada will become a magnet for investment and jobs and growth. This will reward risk takers. It'll encourage all those investors to put their money to work creating more jobs and building businesses right here in Canada. This country will be at the centre of the new global economy, not watching from the sidelines.

We can't stop there either. Prior to the recent Martin budget the Canadian Alliance advocated reducing corporate income taxes from their current level of 27 per cent down to 21 per cent. However, like my good friend Mike

Harris, I look for every opportunity to deepen and accelerate tax relief for hardworking Canadians and for job creators in our economy. That's why I'm also proposing today to lower business income taxes even further from 27 per cent to 15 per cent by the year 2003. As a result of these bold changes, for the first time in living memory, Canadian business taxes would be lower than those in the United States. Canada will become the place to come, to stay, to grow; to invest in; and where to build your dream.

Lower capital gains and corporate tax rates will give Canada a tremendous advantage in attracting new businesses and new investments and, most important of all, providing new jobs. Along with the equal 17-per-cent personal income tax rate these bold measures in business taxes will be key to making Canada the world's enterprise zone. It's not enough, as the leaders of the other parties are saying, that we're closing the competitiveness gap with the United States. That is a loser's strategy. It is far too timid a goal. That's why Canada has to move to the forefront, so that we can be the world's most dynamically growing economy.

There will be those who will say that it can't happen. I expect a few people on the editorial board of *The Toronto Star* might have a difference of opinion with me on it. But for all those people who say that it can't happen I would point to Ireland, little Ireland. Twelve years ago the Irish standard of living was about half that of Canada. The people made a deliberate national choice. They didn't want to be poor anymore. They voted on taxes, they reduced a regulatory burden and they opened their arms to successful people from all across this world. They said if you want to make your dreams come true come to the Emerald Isle.

Canada has the strategic advantage of being on top of the largest most dynamic economy in the world and blessed with a well-educated highly motivated population—people who do want to win. There's no reason in the world why we can't reach for the stars, why we can't reach for that goal of becoming the world's leading wealth-creating nation. I don't ask Canadians to set that goal because wealth is an end in itself. It is the means that we all need to have the things that we want in our lives—stable families and a dynamic community. It is how we're going to pay for the quality education we want for our kids and it's the way we are going to be able to have dependable health care for all people in this great country of ours. By holding a line on government spending and by eliminating the billions of dollars that we waste now on corporate welfare in handouts, we can make Canada competitive on a worldwide scale. We can do that and still pay down the debt by billions more than Paul Martin has projected. My friends, this plan is affordable and what we can't afford to do is to stand still.

I want to talk to you about the two other priorities that I would have if I'm lucky enough to be prime minister and we form the majority government after the next election.

We have to restore faith in our criminal justice system. As I travel this country, as I talk to people in town halls, as I meet folks and hear their concerns and aspirations for Canada, time and again they tell me we have a system that simply doesn't provide justice. We need a government that is prepared to make changes in the criminal justice system. We need to completely re-write the Young Offenders Act. We need to have a victim's bill of rights in Ottawa like we have right here in Ontario. We need to make parole much harder to get and much easier to lose. If your sentence is 25 years you should serve 25 years. And it is time we had a government in Ottawa that stood behind the women and men in uniform who serve us in the police forces of this country. We need change in criminal justice. We need a new government to deliver it.

The third area I want to talk to you about is making government smaller, making it more efficient, making it more democratic, making it more acceptable and easier to understand by our citizens. Our party stands for real reform of our parliamentary system. We are going to push for real reform of the Senate because the status quo simply isn't acceptable. We're going to permit our M.P.s to have more free votes so that they can do the job they were sent to do there in the first place—to speak on behalf of their constituents. And we're going to give all the voters of this country a money-back guarantee on the M.P.s that they do elect. If they send someone to Ottawa and he or she forgets where they came from and starts representing Ottawa to you rather than you to Ottawa we're going to give you the chance to pull that person back home. We're also going to open the system up. We're going to let citizens put issues on the agenda themselves called citizens' initiatives. We're going to give citizens the opportunity to put referendums to the whole country so that we can really hear what people think.

As I travelled, I heard from folks out there who didn't feel any sense of connection to their members, who didn't feel that there was any sense of connection to Ottawa. They didn't think anybody was listening to them anymore.

I think we have got to change that whole attitude in Ottawa. Ottawa doesn't always know best. We do need to have more respect, we do need to spend more time listening to each other as a people and we need our federal government to respect provincial heritage and jurisdiction. This country will work just fine if we respect the constitution that we have.

The great thing about the Canadian Alliance and the reason I'm standing here and so proud to be a member of it is the fact that it is not going to be a one-person show. That's not the way we run ourselves as a party and it's not the way we would run ourselves as a government. We're a team. We're a team of women and men from one end of this country to the other that don't want politics as usual anymore. We want change. We want real change.

And we're prepared to go before the people of this country and talk to them in plain terms about the kinds of changes that I talked about here today.

A great leader once said: "We have every right to dream heroic dreams." Those who say that we are in a time when there are no heroes just don't where to look. I've seen heroes in this country. I'm meeting them each and every day. They're quieter voices; they are the mainstream of this country. They're the people who work hard; they work very hard to provide for their families. They look after their kids and obey the laws. They play by the rules. They pay a lot in taxes. They don't ask for a lot back from their government. They want respect and they want freedom. They want the chance to make decisions for themselves and for their families. These aren't the people who protest out on the front lines, at the Parliament buildings or at Queen's Park. These are people who are simply out there making this country work each and every day.

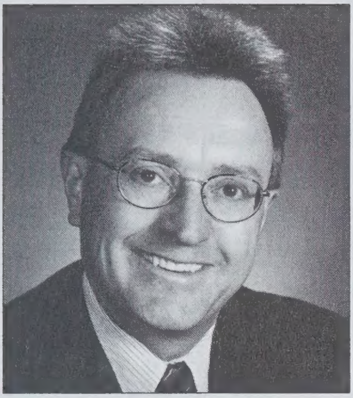
The Canadian Alliance wants to represent these people. I'm in this race to be their champion. I believe that there is going to be a tidal wave of support for this new party across this country the opinion elite in Canada will never understand. They won't understand it because they don't relate to the folks that are out there. I've seen them each and every night at town halls. They have so much hope in their eyes. They want to believe again. They want a government that listens, that hears them, that respects their values and will run this country by the same values that they live and work by each and every day. My friends, I'm happy to be a candidate of the Canadian Alliance. I'm honoured to be on the same ballot as the very fine gentlemen who are also running for the leadership of this party.

I'm asking for your help and support. In return I promise that I will give you a campaign you can be truly proud of and a government that you will never have to apologise for. If you like what Mike Harris has done here in Ontario and if you like what Ralph Klein has done in the Province of Alberta, you are going to love me when I get to Ottawa.

Thank you very much.

The appreciation of the meeting was expressed by The Hon. Henry N.R. Jackman, CM, KStJ, BA, LL.B, LL.D, OO, Former Lieutenant-Governor of Ontario, Chairman and President, E-L Financial Corporation Ltd. and Past President, The Empire Club of Canada.

Jim Jones, M.P., Member of Parliament, Markham, Tom Long, Candidate for Leadership of the Canadian Reform Conservative Alliance party, The Hon. Pauline Browes, Vice-Chair, Ontario Environmental Assessment and Appeal Boards, Former Minister of State for the Environment of Canada and Former Minister, Indian Affairs and Northern Development and Robert Dechert, Partner, Gowling, Strathy & Henderson and Immediate Past President, The Empire Club of Canada.



June 1, 2000

Jeff Lozon

President and Chief Executive Officer,
St. Michael's Hospital

SUSTAINING A CANADIAN HEALTH SYSTEM

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

John C. Koopman, Principal, Heidrick & Struggles and Third Vice-President, The Empire Club of Canada; Reverend Douglas Kramer, St. Philips Lutheran Church, Etobicoke; Daniel Burns, Deputy Minister, Ontario Ministry of Health and Long-Term Care; Jane Cooke-Lauder, Partner, Johnstone Smith International and Member, Board of Directors, St. Michael's Hospital; Dan Sullivan, Chair, Board of Directors, St. Michael's Hospital and Deputy Chairman, Scotia Capital Inc.; Mary Catherine Lindberg, Assistant Deputy Minister, Health Services Division, Ontario Ministry of Health and Long-Term Care; Willis L. Blair, Vice-Chairman, Toronto East General Hospital Foundation and Director, The Empire Club of Canada; Maureen Quigley, President, Maureen Quigley & Associates; Dr. Jean Moss, President, Canadian Memorial Chiropractic College; and Gilbert Sharpe, Head of the Health Law Group and Partner, Cassels, Brock & Blackwell, LLP.

Introduction by Catherine Steele

It is my privilege to introduce to you now our guest speaker, Jeff Lozon, President and CEO, St. Michael's Hospital.

So much has been said about the state of Canada's health-care system and the challenges it faces that it's impossible to capture all of those thoughts in my brief introduction here today. But there are a few things that are generally accepted as truths when it comes to our health-care system.

Firstly, public opinion polls consistently show that health care is the number-one priority for Canadians.

They want a system they can rely on, get services when they need them and as close to home as possible.

Secondly, the field of health care is changing constantly thanks to new discoveries in research, new technologies and advances in treatments and drugs. While all of these advances are welcome, they can also be costly.

And thirdly, demographics related to the aging baby-boomer population means that the resources of our publicly funded health-care system are about to experience more pressures than ever before.

In recent months, there have been many debates and much rhetoric about the future of our health-care system. Just this week, the provincial ministers of health met with the federal minister of health to discuss the need for increased federal funding for health.

Yesterday's *National Post* carried a story about former federal minister of health, Monique Begin, the minister responsible for introducing the Canada Health Act, and her proposal to revise and update this legislation.

And no doubt you have seen the ads on television from the Ontario government highlighting the decreasing financial contribution by the federal government to Ontario's health-care system.

People close to the health-care system like our guest speaker today and several of our head table guests would say that there is a need for the publicly funded system to change so that it can meet the needs of Canadians is a given.

The plans that follow to implement needed change may vary from province to province but one thing is clear. Changes to our health-care system requires leadership from government and political officials as well as those involved in the delivery of services, who find themselves at the centre of the action.

Our guest today can speak firsthand on the challenges and pressures of our health-care system.

Jeff Lozon has spent more than 20 years working in health-care administration. He has worked as Executive Director of the Manitoba Health Organizations Inc. as well as President and Chief Executive Officer of the Glenrose Rehabilitation Hospital in Edmonton.

In 1992, Jeff took on the role as President and CEO of St. Michael's Hospital here in Toronto and is credited with leading the hospital, which had a $63-million debt-load, through a remarkable financial, organisational and strategic turnaround.

From March 1999 to March 2000, Jeff was appointed Deputy Minister of Health and Long-Term Care for Ontario. As the province's most senior health-care administrator, his mandate was to manage the budget of more than $21 billion, ensure delivery of health-care services to more than 10 million Ontarians and lead the Ontario health system through a period of unprecedented change.

Jeff is also President of the Canadian Association of Accredited Health-care Organizations, President of the St. Michael's Hospital Foundation, Chair of the Toronto Academic Sciences Council and Associate Professor with the Department of Health Administration at the University of Toronto. He is also a member of the Board of Directors for Canada's Top 40 under 40.

Ladies and gentlemen, please welcome Jeff Lozon to The Empire Club of Canada.

Jeff Lozon

The other morning I was eating breakfast and reading the paper and I came across the following quote: "Frankly, this issue is so important that we feel that we have no choice but to make it our number-one issue. And I think it is recognised by most Canadians that it is probably the single most important issue we must resolve as a nation."

Who was the speaker, and what was the issue? Was it the economy, international competitiveness, our tax burden, the environment or traffic jams on the way to cottage country?

The speaker was talking about sustaining the health-care system and the speaker was David Chomiak, the Minister of Health for the Province of Manitoba. He was speaking on behalf of his fellow health ministers following a meeting of provincial and territorial health ministers in Quebec this week.

They promised to put health care in the forefront of the agenda of the next federal election campaign—which might not be that far away. They were putting Ottawa on notice that the feds either increase health-care funding or deal with the consequences.

Now, that's a pretty strong stance. Is it just political posturing? Is it a lot of rhetoric? Are the health-care ministers trying to make themselves more important than they really are? Or do they know something that we don't? I think they know something that we don't. I think they understand the seriousness of our health-care problem.

This statement by the provincial health ministers is only the latest of a number of signals that have been made by many across this country about the need for us to have a dialogue on where our health-care system is going.

I recently spent a year as Ontario's Deputy Minister of Health and Long-Term Care. Some would say after only a year what credibility does that give him? Well, in an environment where ministers of health normally have 11 months' tenure and deputy ministers of health have an average 14-month tenure, I'm a fairly experienced public servant. In the time we have together today, I want to talk to you a little bit about the stresses and strains in the system that I have seen, and some high-level directions that we might pursue. But most of all I want to sensitise you to the importance of the debate and the fact that we have to consider some very fundamental and profound changes in our health-care directions.

Let me begin by addressing a myth. It goes something like this: "If we simply organised our health-care system better, the problems would go away." That's palpably absurd. Yes, in a $90-billion health-care system, there are efficiencies to be made and maybe they would save us a lot of money. But that alone certainly will not address all the problems.

Besides, every province in the country has attempted efficiencies and has been through a lot of health-care reform: closing hospitals, expanding long-term care, developing regional structures, dealing differently with their doctors' fee structures, and addressing nursing shortages. And still the long-term problems persist.

The long-term problem is: "How will we sustain the system?" Not just for the foreseeable future, not just between now and the next federal or provincial election, but over the long term.

This is not a crisis that we will ever see on the front pages of the national dailies. But it is a serious problem, and there are enormous opportunities open to us, if we work at it together. If we don't work at it now—if we procrastinate to the point of crisis—those opportunities are going to dwindle.

Why is sustaining health care going to be such a big problem? Let's think about it. We live in a society where you can get a pizza ordered and delivered in 30 minutes and where the world's fastest mode of communication, the Internet, is not fast enough using telephone lines. We have to have cable access so we can get on the Internet even faster. We live in a society where we measure how we spend our time down to the minute and our cell phone bills down to the second and where we can transact business—buy virtually anything in the world—without interacting with any other person or even leaving our homes. The baby boomers—the majority of our population—are consumers who are unaccustomed to waiting for anything. And yet, when they go to the emergency room, they will be put in a long queue. And when they want an elective procedure, say for a cardiac problem, they'll have to wait. They have to wait two, three or four months to get a hip or knee replaced. In our society, you don't have to wait for a pizza. But if you have a broken leg—take a number.

We have built a huge set of consumer expectations in our country around health care. And we have to examine those expectations. The provinces recognise the problem and some are responding. This year, in Ontario, the Ministry of Health and Long-Term Care's budget has been increased by $1.4 billion.

A $1.4-billion increase notwithstanding, there are huge pressures that still exist in the system. Let me give you some facts and figures, with apologies for my Ontario-centric figures.

- The annual cost of health care for someone under 14 years of age is $500. The annual cost for someone 65 years of age and over is $7,000.
- The annual cost for drugs for a 64-year-old is $80. For a 65-year-old, the first year of eligibility for the Ontario Drug Benefit Program, it's $500.
- Last year, for the first time ever in our country, the amount paid out for drugs for eligible individuals (under the Ontario Drug Benefits Program) was greater than the payout for physician services. I don't think that Tommy Douglas or Emmett Hall ever anticipated such a scenario.

That brings me to another major driver of the health-care system: technology. This is becoming an incredibly important aspect of our health-care system, yet we know very little about the likely impact. We live in a remarkable time for human sciences. With human genome mapping, and with the revolutions in technology, the sky is the limit. Today, we have about 400 classes of drugs. When the human genome is fully mapped out, there will be 5,000 classes of drugs.

Think about this for a minute. This technology revolution is unprecedented in any society at any time. And you know what? We have no idea how much this is going to cost. We just don't understand the implications of this technological revolution for our health-care system. However, history shows that every advance in technology in our health-care system costs more. The normal rule in health care is that technology is never a substitute; it is always an add-on.

Let's think now about inflation as a driver of health care.

Consider that between 1975 and 1997, expenditures for health care in this country doubled. That's notwithstanding the fact that for almost the entire decade of the 90s, the amount of money spent in health care was fairly flat.

Now look ahead over a 20-year period and assume a conservative 2.5-per-cent real average growth between 2000 and 2020. We find that in 20 years' time, our health-care expenditures will be two-and-a-half times what they are today. That is just a little bit shy of $250 billion per year. That's not a sum that's easily reversed.

And we all understand that as the provincial and federal financial pictures get better, the likelihood of health-care inflation increases.

Here's an example. Last week, in Alberta, a strike involving health-care workers lasted about 48 hours. It's my understanding that the settlement was for a 16-per-cent increase in wages over two years. That is an example of health-care inflation. It's an important issue for us to think about; we are coming out of a period of very flat expenditures, and expectations will be high.

Then there is another driver of health care, that I touched on earlier: demographics. In 11 years, the first of the baby boomers will reach 65. And every year after that until about 2025, boomers will be entering the high years of health-care consumption. If they live the current average life expectancy—which is 76 years for men and 81 years for women—we have 40 years of high demand for health-care services ahead of us.

But what does all this mean for us, as taxpayers? Having painted a picture of all these big drivers, what should we do about it?

Well, first of all, I feel it is important that the federal government return to the table with a substantial federal investment. You cannot take the moral high ground when your contribution is 11 cents on the dollar, or even 20 cents on the dollar. You must be part of the debate in very much more meaningful way from a financial perspective.

Beyond that, perhaps as a nation we should be thinking about spending more on health-care services. Presently we spend about 9.2 per cent of our Gross Domestic Product on health care. Maybe we should spend 10.5, 11, maybe 12 per cent. (Every percentage point, at this time, is about $9 billion.) Maybe we, as a country, think that this is so important to us, that we want to make that investment. It may require us to squeeze out other public services. It may require us to raise taxes. But it is a legitimate option for us, as a country, to pursue.

Another option would be to revise the insurance model of health-care services. For those of you who remember when it was first begun, the Ontario Health Insurance Plan started as insurance for all Ontarians against catastrophic illness and the economic ravages that could result. This has evolved into a system where we pay for everything, for everyone.

Perhaps one alternative to our current model is to redefine what it is we will pay for as a society, what we can afford to pay for as a society. We would need to make sure that the most vulnerable in our society are always protected and always covered. But maybe we should be thinking of restricting, rather than thinking of expanding, the level of service.

And then the third option, the one that no one talks about very much except in the most rhetorical terms, is to have a greater private-sector involvement in our health-care system.

Presently, about 70 per cent of the health-care system is public expenditure and 30 per cent is private. Is that the right split? Should it be 75/25? Should it be 60/40? I am not sure. But I do know that it is important for us to talk about it.

I want to be clear that I am not advocating any one of these options, but we should be thinking about them all in a very public, very thoughtful way.

This is a tough debate for our elected officials to engage in. As soon as they raise these options, as soon as they raise these spectres, the finger-pointing and the name-calling begin; people are backed into corners; and they end up concentrating on some small twist in the debate, instead of talking in a reasoned and non-political way. I would like to applaud people like Hugh Scully (president of the Canadian Medical Association) and the Conference Board of Canada and the C.D. Howe Institute for trying to advance this debate in a careful and reasoned fashion.

You could ask: "Why do this now? Things are good; the economy is robust; federal, provincial coffers are certainly better than they ever were."

I think we have to pursue it now because right now is when there is the most room for a debate. One of the immutable laws of change is: "When people have the latitude to change the most, they change the least." And the flip side of that law is: "When people wait to change until they have to, they have the least room to make change happen."

My experience at St. Michael's Hospital, and more recently at the Ministry of Health, was that in the face of public expectation when you have a real opportunity to engage in a constructive debate and you have the time to think about all the options, you are least inclined to do it. That's because, while the question to be addressed may be an important question, it is not an urgent question. In this instance, I think that will spell very dire consequences for our health-care system.

It took us five years at St. Michael's Hospital to get a culture growing where people were friendly to change. It took the federal and the provincial governments about five or six years to understand they can no longer continue to fund on a deficit basis.

Think about how long it will take us to deal with our most important social programme in a constructive and an open way. We must begin this discussion, and we must begin it quickly, because if we don't, our options in the future will dwindle.

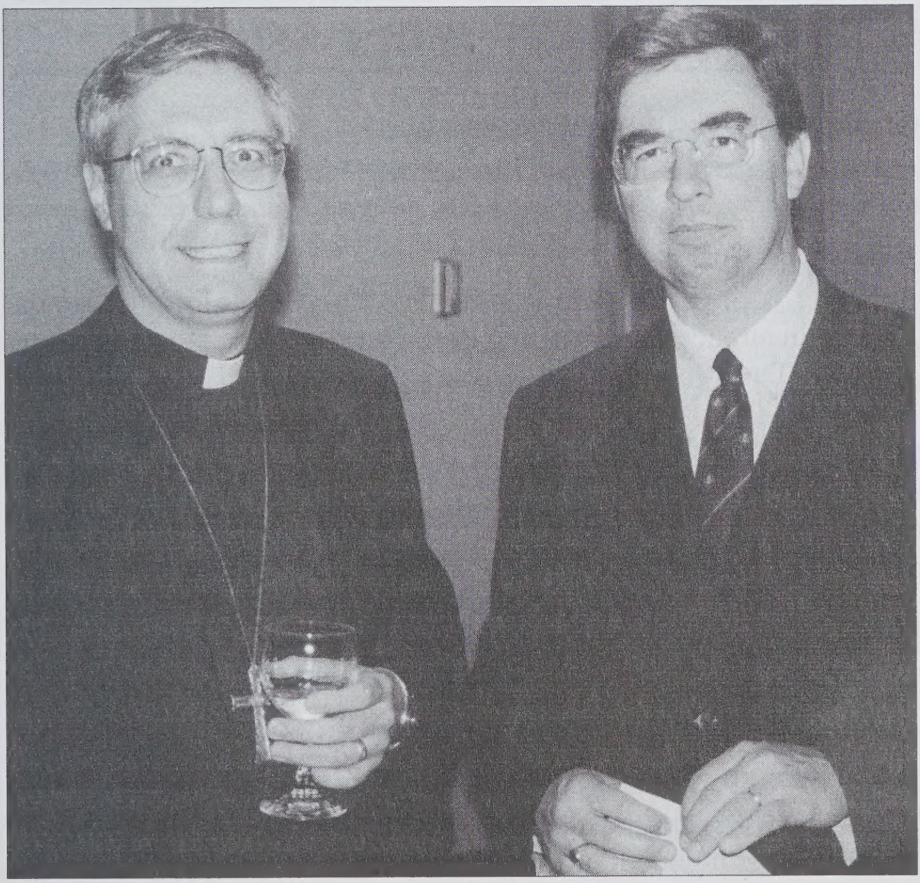
What we will come up with will be something that is uniquely Canadian. We will not adapt someone else's model. We will not have a Swedish system. We will not have an American system. If you look at health-care systems across the world, they are all ethno-centric. They spring out of the values and the hearts and the minds of their individual nations.

It's time for us to have this debate. It is important for us to explore all the options in a cogent, open way, and chart our long-term future. I know it is a tall order. It is so much easier to deal with our immediate problems, than to look ahead to the long-term ones. But if we don't deal with this issue soon, we will have a very small window of opportunity to effect the kinds of changes that need to be made.

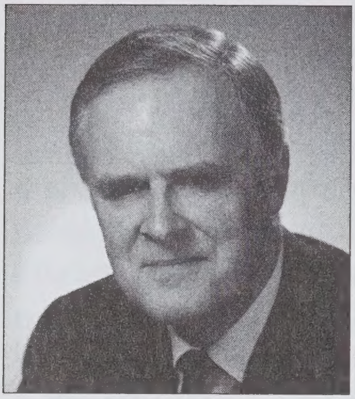
To illustrate my point, I would like to close with a little story about John F. Kennedy. When he went into the White House, he looked around the grounds and said to the gardener: "I think we should plant a tree over there." He suggested a particular species. The gardener said: "I don't think you should. That tree takes forever to grow. It won't mature for at least a hundred years." Kennedy said: "In that case, there's no time to lose. Plant the tree this afternoon."

Thank you, Catherine for the opportunity to address the Empire Club. Good afternoon.

The appreciation of the meeting was expressed by John C. Koopman, Principal, Heidrick & Struggles and Third Vice-President, The Empire Club of Canada.



Reverend Douglas Kramer, St. Philips Lutheran Church, Etobicoke and John C. Koopman, Principal, Heidrick & Struggles and Third Vice-President, The Empire Club of Canada.



June 8, 2000

John R.V. Palmer

Superintendent of Financial Institutions

A NEW MANDATE FOR OSFI

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada; The Reverend Dr. Robert Pierson, Rector, St Philip's Anglican Church; Anders Sorenson, Honour Student, Etobicoke Collegiate Institute; Sarah J.E. Iley, President and CEO, The Council for Business and the Arts in Canada; Lillian Morgenthau, Canadian Association for the Fifty-Plus (CARP); George Anderson, President and CEO, Insurance Council of Canada and Director, The Empire Club of Canada; Charles C. Black, Senior Advisor, Insurance Operations, Canadian Life and Health Insurance Association; and Kelly Shaughnessy, Vice-President, Banking Operations, Canadian Bankers Association.

Introduction by Catherine Steele

It is my privilege to introduce to you now our guest speaker, John Palmer, Superintendent of Financial Institutions.

Created in 1987 by an Act of Parliament, the Office of the Superintendent of Financial Institutions, also known as OSFI, has a mandate to safeguard depositors, policyholders and pension plan members from undue loss, and to advance and administer a regulatory framework that contributes to public confidence in a competitive financial system. A financial system which includes banks, property and casualty insurers as well as life and health insurers.

In the competitive financial world, this role of watchdog on behalf of consumers is no small task. And achieving a balance between the role of regulator while fostering competition, innovation and growth among financial institutions is also a challenge.

Canadian consumers have been rather fortunate when it comes to our financial institutions. We haven't suffered major collapses and by world standards our institutions respond well to change and to the needs of consumers.

It is logical to think that public confidence in Canada's financial institutions is based on knowledge and personal experience. Knowledge of their financial institution, its performance and policies, and how it compares to other institutions, enables consumers to make informed choices about where to invest their hard-earned money and in whom to place their trust.

John Palmer was appointed to the position of Superintendent of Financial Institutions in 1994. Born in Halifax, Mr. Palmer became a chartered accountant in 1969 and was made a Fellow of both the Ontario and British Columbia Institutes of Chartered Accountants.

He joined the firm now known as KPMG in 1966 serving with it and an affiliate in London, England, Vancouver and Toronto. In 1983, he became National Executive Partner. In 1989, he was appointed Deputy Chairman and Managing Partner before leaving that position to become Superintendent.

Mr. Palmer has served two successive federal ministers of national revenue and served on the panel of senior advisors to the Auditor General of Canada and as a Governor of the Canadian Comprehensive Auditing Foundation. He is currently one of three Canadian representatives on the Financial Stability Forum.

Mr. Palmer has been a director of a number of charitable and community organisations, and is currently a Director of the Canadian Council for Business and the Arts. His visit with us today is very timely, given that the long-awaited financial services legislation is expected to be introduced next week.

Ladies and gentlemen, please welcome John Palmer to The Empire Club of Canada.

John Palmer

For those of you who haven't previously dealt with the Office of the Superintendent of Financial Institutions, or OSFI as it is affectionately known, let me take a minute to explain what we do.

We are the primary regulator and supervisor for all federal financial institutions and pension funds. That includes all banks operating in Canada, whether Canadian or foreign-owned, as well as federal trust companies, life insurance companies and property and casualty insurance companies. We are responsible for about 500 institutions in total, and about 1,100 federal pension plans.

We are what is called a "prudential" supervisor. That means that we focus on the financial health of institutions and pension plans and the protection of your savings.

In 1995, when I last spoke at the Empire Club, I had been Superintendent of Financial Institutions for less than one year. The Canadian economy was just coming out of a difficult period and between 1989 and 1994, a total of 139 federal financial institutions went out of business, including:

- 15 small banks;
- 17 trust and loan companies;
- 33 life insurance companies; and
- 74 property and casualty insurance companies.

And those numbers did not include companies like Royal Trust that retained their identity but which were taken over by other institutions.

The financial institution failures and near failures of the early 1990s led to a reappraisal of the changes which Canada had made to its financial-sector legislation at the beginning of the decade, and a decision to further strengthen the regulation and supervision of federal financial institutions.

OSFI was given a legislative mandate, which made it clear that it had a responsibility to protect the savings of depositors and policyholders of federal financial institutions. Importantly, the mandate also made it clear that OSFI's responsibilities did not extend to preventing the failure of financial institutions. Instead, OSFI was expected to become more interventionist in its supervisory approach, detecting potential problems earlier, and moving faster to ensure a resolution of the problems, either by requiring the institutions to fix them or by closing the institutions before further erosion took place in the savings of depositors and policyholders.

This mandate, which was passed into law in 1996, has been driving OSFI's activities since that time. At the risk of lapsing into immodesty, I can tell you that we have fundamentally transformed OSFI, as a result.

We have developed a new approach to supervising financial institutions which includes closer attention to the key risks which institutions are taking on and the quality of the institutions' own risk management systems. Our new approach also requires us to intervene more quickly and decisively when problems become evident.

As part of our new approach, we have been encouraging institutions to increase capital levels and strengthen their reserves for losses.

We have also played a more active role in shaping legislation than was the case before I became Superintendent. While we do not shape financial-sector policy, we do develop recommendations for amendments of a more technical nature which will permit the legislation to achieve its objectives and ensure that OSFI can accomplish its prudential mandate.

During this period, OSFI has undergone organisational changes to eliminate overlap and duplication and ensure that our activities are better focused on our objectives. We have created a conglomerates group to supervise our larger, more complex institutions and are building an internal consulting division staffed with specialists in such areas as value at risk models, securitisation, as well as experts in accounting and actuarial matters. This has been essential to help us keep up with the rapid changes taking place in the financial sector.

Well-qualified, well-trained and highly motivated people are the key to the success of any organisation, and some profound changes have occurred in OSFI's human resources over this period. We have experienced a staff turnover of about 50 per cent. Some of this was initiated by us, and some was unsought, as employees left for better-paying jobs in the private sector, a continuing challenge for OSFI. We have also been eliminating lower-value positions and adding higher-value ones as we sought to enhance our expertise.

Overall, our staff levels are down nearly 10 per cent since I became Superintendent, but at the same time, our salary expenditures have gone up by nearly 30 per cent, reflecting the upgrading in talent that has been taking place.

We have been working hard, too, to give our people the training they need to enhance their knowledge and skills. Training expenditures have quadrupled since I became Superintendent. Overall, our expenditures, which we charge out to the institutions we supervise, have increased by 25 per cent since I last appeared before this audience. While we are clearly out of step with other government organisations which have been attempting to reduce costs, I make no apologies for this. The industry we supervise has become more complex and our work has become much more difficult. During the same period in which our costs went up 25 per cent, the non-interest costs of the Big 6 banks increased by 68 per cent, and their total assets under administration increased by 70 per cent, even after deducting the impact of the massive securitisations which have taken place over the last couple of years.

We have been also attempting to develop information to track our own performance; information that we will soon make public. We are trying to track the impact of our more interventionist supervisory approach, monitoring the number of institutions on our watch list and how long they stay there. We are also tracking losses from financial institution failures to assess just how well we are protecting depositors and policyholders. And we are conducting surveys to find out how well our employees and our institutions think we are doing.

While we have been working hard to become a more effective and, in a quiet Canadian way, a more aggressive supervisor, as required by our legislation, what has been happening around us?

The recession of the early 1990s is well behind us and we are enjoying one of the longest expansionary economic cycles in history. In the United States the expansion has lasted for 110 months, the longest of any cycle since data was first compiled in the 1850s. The number of institutions on our watch lists has dropped, and there have been few failures. Indeed, many of the financial institutions we supervise are enjoying record profits despite the dire predictions we have been hearing since the bank merger proposals were turned down. In fact, many financial institutions, both in Canada and abroad, are targeting rates of return in excess of 20 per cent and achieving them, at a time when inflation is holding in the 2-per-cent to 3-per-cent range.

And as the last recession recedes from memory, the public debate concerning the financial sector has shifted away from prudential themes such as the protection of the savings of depositors and policyholders toward the challenge posed by technology and globalisation. Policymakers are now wrestling with questions of how to permit our institutions to compete with much larger foreign competitors and unregulated institutions while at the same time ensuring that the rights and needs of consumers are not overlooked.

In this environment, some might argue that OSFI is still fighting the last war—working busily to build and strengthen a prudential "Maginot Line" around our institutions, while bigger, stronger, more technologically advanced, and often foreign competitors sweep past our defences and mount their electronic blitzkrieg against our institutions, well beyond OSFI's reach. We have certainly heard this from some commentators.

Let me acknowledge that there may be an element of truth to this observation. We still see building prudential protection as the heart of OSFI's job. The government has given no indication of weakening OSFI's mandate to protect your savings, and we have not suggested this. OSFI has not forgotten about the last recession and those that preceded it. And while there are some who may believe that we have entered a new economic paradigm in which recessions are a thing of the past, we at OSFI are not convinced of this.

History tells us that all economic growth cycles eventually end. And sometimes they end with a bang, not a whimper.

When the boom in the 1980s came to an end, that bang was a big one. Banks in many countries incurred heavy losses, and lots of them failed. Repairing the damage was hugely expensive. Public outlays to repair their deposit-taking institutions amounted to nearly 3 per cent of one year's GDP in the United States and 5-per-cent to 7-per-cent GDP in some of the Scandinavian countries. In Japan, the economic cost has been many times greater, and the resolution of the banking problems in that country is still taking place.

And so, knowing what has happened in the past in Canada and other countries, we have to be scanning the horizon in search of any distant storms that might be brewing, even when the economic weather seems most sunny and promising.

And if we can't yet see storms, there are at least a few clouds that we have to be concerned about.

Those 20-per-cent rates of return that I talked about a few minutes ago are being achieved at a time when risk premiums are at very low levels. Thus, almost by definition, institutions have to be taking more risk to achieve these sorts of returns. And while market participants are taking on more risks, some cracks are beginning to appear. Standard and Poors reported that default rates were up last year to the highest level seen since the recession. There are reports of more fraud and creative accounting by borrowers, often symptoms of the end of an economic cycle. Some U.S. banks are beginning to tighten their lending conditions. Stock markets are increasingly volatile. The U.S. Federal Reserve is performing a remarkable highwire act, carefully tightening credit to discourage latent inflation in the system, without bringing this era of growth to an unpleasant end. In the past, similar initiatives have often brought about a recession.

And we shouldn't forget about the near miss that we in developed countries experienced two years ago during the financial crises which occurred in Asia, Latin America and other regions. These crises were successfully contained and the collateral damage, at least in the developed world, was slight, even if the impact on countries like Indonesia was and continues to be quite terrible. The important point is that, if it were not for some good management and a dose of good luck, the damage to developed economies could have been quite serious.

So, at this advanced stage of an unprecedented economic cycle, having just dodged one bullet and with some danger signs ahead, would it not be reasonable for policymakers to be putting up more prudential barriers?

Yet despite what OSFI has been doing over the last five years, the actual tendency is now just the opposite. What happens is that, at this point in the economic cycle, we all tend to see the world through rose-coloured glasses. Consumer spending is up. Business investment is up. Governments are spending again and even cutting taxes or promising to do so. And the focus of regulatory policy tends to shift toward reducing regulatory burdens—giving market participants more flexibility to innovate, grow and compete.

But of course there is more to the pressure to reduce regulatory barriers than typical late-cycle thinking; in addition to the frothy economy, there appears to be a sea change occurring in the international financial sector. Geographic barriers are dropping. Global institutions are emerging. And technology is fundamentally transforming products, delivery systems and customer relationships. There is a clear need to respond to these changes, even if we are doing so at what may be a late and therefore riskier point in the economic cycle.

The financial sector bill that Mr. Martin will introduce next week will form the government's primary response to these changes in the financial landscape. While some may fear that the bill will not go far enough, it is nevertheless a significant response. As you know from the government's policy paper issued a year ago, the bill is expected to bring:

- changes in ownership rules;
- more structural flexibility for Canadian financial institutions;
- reduced barriers to entry for new banks and other financial institutions; and
- enhanced consumer protection.

Despite our strenuous efforts to strengthen regulation and supervision over the last five years, and despite our still-vivid memories of past crises, OSFI is also playing a role to ensure that Canada's financial institutions are able to adapt quickly to the big changes now underway around the planet.

We have played a significant supporting role in the development of the new legislative package, particularly those sections directed at giving financial institutions more structural and operating flexibility. These include the new holding company provisions and expanded downstream investment rules. Contrary to recent media reports, many downstream investments made by financial institutions will not require ministerial approval but can be approved by the Superintendent, increasing flexibility and faster turnaround.

To add further flexibility, OSFI is also developing a streamlined approval process in which many approvals will be obtainable through a simple notice procedure.

At the same time, OSFI has been overhauling our supervisory practices—moving away from a standardised approach to a more flexible supervisory framework adaptable to the risk profile of each institution and placing heavy reliance on an institution's own internal controls and risk management systems.

What adds impetus to our efforts here in Canada is that similar initiatives are occurring in other countries. And some of the efforts are multilateral. One of the most important is the revision now underway to the Basel Capital Accord—the formula used to set regulatory capital of deposit-taking institutions in most developed countries. An effort is underway to tailor regulatory capital more closely to an institution's own risk profile and allow it to use its own risk-rating systems to determine the capital it holds. This should allow some well-managed institutions to release capital (though I confess I hope that it will not be too much). OSFI is playing a major role in this international undertaking.

But we are trying not to throw caution to the winds in the name of flexibility and competitiveness. The new legislative package should contain some additional regulatory powers that OSFI has been asking for, including the power to remove officers and directors under certain circumstances, the power to levy administrative money penalties, and some enhancement of self-dealing rules to help us oversee the more complex corporate structures likely to emerge from the legislative package.

Because so much of the pressure to relax our own rules is motivated to permit our institutions to compete with foreign players who may be subject to weaker rules, OSFI has been in the vanguard of the movement to set international standards of best practice for financial regulators and supervisors, including promoting a system of peer review to assess national supervisors' compliance with these standards.

OSFI itself was subject to a peer review against international standards last fall, carried out by the IMF as part of its new Financial Sector Stability Assessment Process. I am happy to tell you that OSFI and indeed the Canadian financial system generally passed with flying colours, although we did receive a number of helpful suggestions.

OSFI will continue its efforts to enhance its capacity to regulate and supervise. As soon as we gain more experience with our new supervisory framework, we will be introducing a new rating system for financial institutions. Like all other prudential supervisors, we won't make these ratings public because of systemic stability concerns, but we will be disclosing them to our institutions and using them as levers to encourage improvement. We will continue to strengthen our human resources with the help of a more competitive compensation system, ongoing recruiting from the private sector and a continuing emphasis on specialisation.

And most important, perhaps, we intend to become increasingly accountable, as we develop and test an array of performance measures and standards, and publish our successes and failures. To help us to strengthen accountability, we are forming an external Advisory Board, made up of former financial community executives. These advisors will review our performance against the objectives the government has set for us, and will also help us find the right balance in our supervisory policies between safety and soundness on the one hand and competitiveness and flexibility on the other.

While we are proceeding in a balanced and careful way, it is important for you to understand that, as a result of all the changes that are taking place, more prudential risk is being introduced into the financial system at a late stage in the economic cycle.

But despite the end-of-cycle rose-coloured glasses that we are all wearing to some extent, I think this is being done intelligently, with a reasonable understanding of the costs and benefits that are in play. I also believe that Canadians have matured to the point where a strategic shift of our system a few notches up the risk curve to obtain some important benefits is something many can understand and support.

The financial sector is key to our current and future economic success. We need a financial sector that offers a competitive array of products and services to Canadians and we need to ensure there is room for competitive, successful Canadian-based financial institutions as well as foreign institutions in our open economy. To achieve this, we can't ignore changes that are occurring beyond our borders, even if those changes are also influenced by the same end-of-cycle thinking that is driving our changes. While we need to maintain prudential walls around our institutions, those walls can't be higher than those which we see in our major trading partners. We have to seek a level playing field for our institutions. So OSFI's mandate continues to be the protection of your deposits and insurance policies in federal institutions, but we're trying to do this in a balanced way that recognises international developments and facilitates a competitive financial system.

The appreciation of the meeting was expressed by George Anderson, President and CEO, Insurance Council of Canada and Director, The Empire Club of Canada.

June 19, 2000

Preston Manning

Member of Parliament, Calgary Southwest and
Candidate for Leadership of the Canadian Reform
Conservative Alliance

WHY I WANT THE JOB OF BEING YOUR NEXT PRIME MINISTER

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

George Anderson, President and CEO, The Insurance Council of Canada and Director, The Empire Club of Canada; Zubair Choudhry, Hoya Lens Canada Inc.; Reverend Dr. John Niles, Victoria Park United Church; Mark Poole, Corporate Liaison Officer, The Canadian Alliance Party; Andre Turcotte, President and CEO, Feedback Research Corporation and Pollster, The Canadian Alliance Party; Shariffa Grosser, Senett Control Company Ltd.; Gareth S. Seltzer, Director, TWS Private Management and RRSP.COM and Past President, The Empire Club of Canada; Fredrik S. Eaton, Chairman, White Raven Capital Corp.; and Belinda Stronach, Executive Vice-President and Director, Magna International Inc.

Introduction by Catherine Steele

It is my privilege to introduce to you now our guest speaker, Preston Manning, candidate for the leadership of the Canadian Alliance party.

Since the creation of the Canadian Alliance party earlier this year, media attention has focused on whether this new party could challenge the federal Liberal party for the support and votes of Canadians.

The recent leadership race has also brought much attention to this new party, the policies and platforms of those seeking the leadership and the true grassroots nature of the Canadian Alliance, with its one-member one-vote process for choosing its first leader.

While Canadians generally may be cynical of politicians and those who run for public office, I think very few truly appreciate the time, effort, commitment and sacrifice made by those who decide to offer themselves up to public scrutiny in the name of public service. We often like to comment that there's a lack of leadership or ideas and thoughts by those who occupy political positions but sometimes I think we overlook what's right in front of us.

For example, the Canadian Alliance party would not exist without our guest speaker today. In January of this year, he asked people to "think big"—think beyond what they currently know and what seems comfortable, to what could be. And he wasn't asking people to do what he wasn't prepared to do himself.

Stepping aside from his role as Leader of the Official Opposition, he threw his name in the ring for the leadership of the Canadian Alliance party. He urged people to think about how together they could make good things happen. Having started his party as a grassroots movement in Alberta, he was speaking from experience. Through thousands of coffee parties and town hall meetings, he made people believe there was an option to traditional parties.

In 1990, as an intern with the Ontario Legislative Internship Program, I had the opportunity to meet Preston Manning during our trip to the Alberta Legislature. Those were early days for the Reform party but as students of the Canadian political system, those of us from provinces other than Ontario, including myself, were impressed that someone truly believed in the power of grassroots democracy and that the role of government should be inclusive, not exclusive.

Preston Manning has advocated and practiced grassroots democracy throughout his political career.

As Reform party leader, Mr. Manning was first elected to the House of Commons in 1993 for the riding of Calgary Southwest and became Leader of the Official Opposition following the federal election of June 1997. He recently stepped down from that position to run for the leadership of the Canadian Alliance.

Preston comes from a family with a distinguished record of public service. His father, the late Ernest C. Manning, served as Premier of Alberta for 25 years.

In both the private sector and in his political career, Preston Manning has demonstrated a strong commitment to democratic principles, the value of a private enterprise economy and active social responsibility. He and his wife Sandra who is here today reside in Calgary. They have five children and four young grandchildren.

Ladies and gentlemen, please welcome Preston Manning to The Empire Club of Canada.

Preston Manning

Thank you very much. I'd like to begin by saying a genuine thank you to Catherine for that kind introduction and to the Empire Club. You really have given us opportunities to discuss the idea that eventually became the Canadian Alliance and to report on its progress. I appreciate the public forum that the Empire Club creates for people of all political stripes. You are to be congratulated for the platform you provide and the work that you do.

I'm glad that you also introduced Sandra. We almost had the first scandal of the Canadian Alliance in Victoria the other night. We came into a meeting halfway through, Sandra was not introduced and I forgot to introduce her. We usually do the question period at these public meetings together because this is a joint project for us. During the question period Sandra bounced up on the stage, put her arm around me and said she was a real estate agent from Calgary and was travelling with me on the campaign. I could see the eyebrows starting to go up and I hurriedly explained that we had been married for 33 years, squashing the scandal at the beginning.

What I'd like to do today is give you just a brief update on the subject of the Canadian Alliance, its leadership contest, and my aspirations to become the leader. I might begin by restating for you what I said when I was here earlier. The aim of the Canadian Alliance is very simple—to create a governing alternative to the federal Liberals by uniting Canadians with certain common interests around some commonly shared principles.

Now there are two operational words in that mission statement. The first is to create a "governing alternative." The aim is to create not just a bigger Opposition but a group that can actually provide a government. The impact that has on the leadership contest is that it means we are asking the Alliance people not just to think about picking another Opposition leader, even leader of the Official Opposition, but to be picking a potential future prime minister. We therefore need to ask the question: "Is this person ready for the job where the job is not just to be Opposition leader criticising the other guys and presenting ideas but actually to be capable of running a government?"

The other operational word in this mission statement is "uniting." The key to building the Alliance is uniting people with common interests who have been divided among different groups in the past and endeavouring to unite them, not just in some alliance of expediency, but on the basis of principle. And so the question then becomes with respect to the leadership: "Who has the capacity to get people to work together who have not worked together before and to endeavour to unite them on the basis of principle, not just a temporary political expediency?"

After that sort of overview I will give you a brief commentary on the progress that we've made. The Alliance is formally two months old and while I'm prejudiced on this subject I really do believe that the concept is working. The polls say, depending on which poll you read, the Alliance has support anywhere from 17 to 19 to 24 per cent of Canadians. This is very good. It is as high as the Reform party ever got and this is with a new group that's two months old.

I think we can safely say that we are dominating a lot of the media coverage of the federal political scene and that is good. The party now has over 200,000 members which is a very good figure. It indicates interest in the Alliance. The memberships have been pouring in from all parts of the country and it's stimulated by the leadership contest but it's stimulated by people willing to give the Alliance the strength that it needs.

Although it's early to look at its potential for seats, we in the West think that with this framework we can get between 60 and 72 seats there. We got 60 seats the last time with Reform. In Ontario if we can stop the vote splitting, there are 30 to 60 seats that are up for grabs. If in the next federal election the polls started to show, and the commentators started to say, that the Alliance has the capacity for getting 100, 110, 130 seats in Western Canada and Ontario then those folks to the East, in Quebec and Atlantic Canada would figure out that whoever threw the last 20 seats into the coalition could make the difference between opposition and government. We're excited about the possibilities and want to extend an invitation to each and every one of you to join us if you're so inclined.

Now the Alliance is attracting people. It's attracting people across party lines and that was the intention. B.C. provincial Liberals, not just Reformers in British Columbia. Klein Conservatives in Alberta. People connected with the Saskatchewan party in Saskatchewan. Filmon Conservatives and others in Manitoba. Harris Conservatives. Discontented federalists and soft nationalists in Quebec who are tired of the 40-year war and polarisation between sovereignists and the status-quo federalists. And movers and shakers in Atlantic Canada from Conservatives and Liberals and our small Reform base there who are interested in a fundamentally different approach to regional economic development in that part of the country.

We are also attracting people on the basis of principles and the four big values that unite the people in the Alliance are these.

Fiscal responsibility. Get the debt and taxes down.

Social responsibility carefully defined in the form of strengthening families and the federal government's commitment to law and order.

Reformed federalism. Make federalism work better, get the federal government to co-operate rather than fight with the provinces particularly in their areas of jurisdiction like health care.

A commitment to democracy. Make the federal institutions—the House, the Senate and the Supreme Court of Canada—more democratically accountable to Canadians.

So if you can identify with any of these groups or if any one of those big four values expresses your views and your commitments, you will find a home in the Alliance.

The other thing I find most encouraging is that the Alliance is attracting leaders and potential candidates who have exceptional abilities and capacities of their own. This leadership contest has attracted just excellent people. Stockwell Day, as you know, is Finance Minister in Alberta. He's had practical experience in reducing taxes and debt there. He has appealed to some of the social conservative groups and will, I hope, bring them in. Keith Martin, one of our younger M.P.s, is a candidate. Keith is from Vancouver Island. He's using the leadership contest to present ideas particularly for health-care reform that he thinks are long overdue and he's doing a good job of it. And of course here in your province Tom Long is just an excellent person as a leadership candidate. He's been the successful campaign manager for Mike Harris twice. He knows how to win elections in Ontario. I think he makes it more comfortable for many of the Harris Conservatives to join the Alliance. All of these candidates bring strength and have constituencies that others don't have. Together they make the Alliance and its leadership a formidable team.

I want to suggest to you that we are presenting ourselves as a team. Each of us wants to be quarterback of the team (and no one makes any bones about that) but we've each said that we're willing to play on the team whether we get to be quarterback or not, because it's the team that will enable us to win. With this team, Tom Long could win in the West and we could hold those seats there. With this team, Stock Day, Keith Martin or I could win in Ontario. Without the team, we end up dividing votes and splitting votes which has been the problem we've been trying to solve. With the team, I'm convinced we can win not just in the West but in Ontario and points east. It's the team that's the thing.

Now having said that, I want to come back to a point I made a little bit earlier. If the team is the thing both at the grassroots level (we are trying to get people, who haven't worked together before, to work together), and at the leadership level (we are trying to create the team) in my judgment the most essential characteristic then of the next leader of the Alliance, and I would suggest the next Government of Canada, is the capacity to get people to work together who have not worked together before and the capacity to build coalitions, and to build alliances. I'd like to present to you my record of doing this because I think it's the question that is most germane. Who can lead this alliance to success and who can lead the next government?

Now coalition building is going to be the mandate of the next government. The days when governments can get some great big mandate in an election and translate it into support for every idea that came into their heads for the next four years are over. If you want to do anything in government today, you have got to go out and create a coalition of support for it, whether it's tax reform or health-care reform. This capacity to create alliances and coalitions is relevant politically to holding the Alliance together. It is relevant, I would say, to the exercise of the office of prime minister in the 21st century. My record in this area is this. I was very instrumental in creating and developing the Reform party which itself was a coalition. Everybody in the Reform party came from somewhere else because it didn't exist 13 years ago.

Many were Western Canadians who many of you know are as independent as pigs on ice. They have difficulty agreeing on what day it is let alone the time of day. We managed to get large numbers of them to work together in a broader coalition to make their presence and views felt on the national stage. Then in 1998 as Leader of the Official Opposition I expanded that coalition-building activity. I could see that the vote splitting in Ontario was preventing us from going further and I proposed these United Alternative conferences where we said: "Let's just try to get everybody together under one roof to see if we can agree on a set of principles and policies that would be the basis for political action." And it was those conferences that led, with the help and support of many many people including many people in this room, to the creation of the Canadian Alliance.

I suggest to you that in Ontario that framework allows Reformers, Harris Conservatives and others to work together towards the common objective of electing a new federal government. I suggest that this framework, and this was carefully thought out in advance, provides a framework for fiscal and social conservatives to work together. To many fiscal conservatives primary concerns are the economy and getting taxes down. With the social conservatives prime concerns are strengthening families, justice issues and things of that type. In the past there has been a tendency for these groups to go their separate ways. I've argued that if you do that you split again. There aren't enough small-c conservatives in this country to afford to split them up anyway. If you do that you will end up with a right-wing NDP of some sort. You can get fiscal conservatives on their own or social conservatives on their own but it's not enough critical mass to create a governing party.

There's a way to get fiscal and social conservatives to work together and the technique is to use democracy. Will those people regardless of what side they're on, and I identify with both, accept two simple principles of democracy? One—everyone's view and values are worthy of being heard and being expressed and shouldn't be hissed down from the back of the room or shut down from the front. Two—decisions on big public policy should be made by a majority, so that no value-driven minority can impose its views on others. If fiscal and social conservatives would agree to those two rules they can work together in the same house and they can work together under the same roof.

We also provided in the Alliance a framework for getting the big regional interests in this country to work together rather than against each other. There are four big regional interests. First is the West's aspiration to be a big player in the 21st century and I identify with that. The West is going to produce one-third of the wealth of this country, has a third of the population and wants to be a big player. Any future government has got to accommodate the aspirations of the new West. In Ontario you have the aspiration to take the tax-cutting policies of the Harris Common Sense Revolution from Queen's Park to Ottawa. It is a huge force and has got to be given expression in the national arena. In Quebec you have this hopeful sign of people looking for a third way, not separation, not Chretien-style federalism, but some kind of reformed federalism. And in Atlantic Canada you've got this desire for a new economic growth strategy that is not based on handouts laced with patronage.

The challenge the next prime minister or any governing party in this country has is how to harness all those forces together. We deliberately crafted the Alliance platform so it could speak to each of those concerns. There's no reason why a new Westerner can't support the Common Sense Revolution in Ontario. There's no reason why Ontario can't support the desire for reformed federalism in Quebec. There's no reason why all of us can't support the desire of Atlantic Canadians to get a different economic strategy—one based on tax relief rather than subsidies and one based on freer trade rather than government intervention. The Alliance provides a framework for those people to work together in the interest of national unity.

Earlier this year after selling the concept of the Canadian Alliance to Reform, I then resigned as Leader of the Official Opposition to make possible this leadership and creation of a broader and bigger and talented leadership team. To summarise what I'm saying: "If you want a political leader and the next prime minister to be a leader of change and a builder of coalitions I'm ready for the job because that's what my record has been."

I've added one last point because I think this is about our 170th public event since March 27 when we started this campaign. At public meetings, if you listen hard to what people say, you always learn something new. I went through this whole pitch at a meeting in Bonneyville, Alberta the other day. I thought I'd answered every conceivable question that could be asked and a fellow got up at the very end and just looked me in the eye in front of all of his friends and said: "Why do you want the job?" So I'll end by telling you why I want the job of being the leader of the Canadian Alliance and the job of being your next prime minister. And some of it is pretty simple. You've heard it from me before.

I want to get the federal debt and taxes down. In 1988 I developed a 12-word fiscal-federal agenda that included control the cost, balance the books, reduce the debt and reduce the taxes. I'm tired of trying to persuade other people to do that which to me is a self-evident policy for every government in this country. I'm tired of trying to convince people across the House who don't seem to believe in it. I'd like a crack at doing it myself.

Secondly, I want to reform federalism. I think that reformed federalism provides a way for Quebec out of its constitutional box. Not status-quo federalism that they get from Jean Chretien. Not separation, but reformed federalism. I think federalism can harness the great regional interests in this country and make them a positive force for economic and social security and national unity. If Canada can find a way of reconciling deep regional interests that include cultural and linguistic interests within a federalist framework surely we've got a message for the world where the pluralistic societies are trying to do that all over the place and not many of them are succeeding.

I also want to be both prime minister and leader of the Alliance to democratise the federal institution. I find our Parliament a mockery of democracy. The Senate is a joke. The Senate is a scandal. What democratic country allows 25 per cent of its seats to be decided by a 19th-century appointment system? When the old Soviet Union was breaking up and those democrats were coming over here to learn about democracy I used to wonder where we should take them in Ottawa to show them how it works. We sure shouldn't take them to the Senate.

The House is supposed to be the temple of democracy. It's a house of the parties, not a house of the people.

I'd like to draw the line a little clearer between the Supreme Court and the Parliament of Canada for the benefit for both the Court and the Parliament.

And lastly I'd like to use my coalition-building skills and alliance-building skills one more time to build a bigger alliance yet to get the 152 seats you need in a 301-seat chamber to actually win a vote and do something rather than criticise or present alternatives.

So if that's what you want in a political leader, if that's what you want in the prime minister's office after the next election, I'm ready for that job and I'm asking for your support. Thank you very much.

The appreciation of the meeting was expressed by Gareth S. Seltzer, Director, TWS Private Management and RRSP.COM and Past President, The Empire Club of Canada.

Reverend Dr. John Niles, Victoria Park United Church and Preston Manning, Member of Parliament, Calgary Southwest and Candidate for Leadership of the Canadian Reform Conservative Alliance Party.

June 22, 2000

Carol Anne Letheren

Chief Executive Officer and Secretary General,
Canadian Olympic Association

CELEBRATING CANADA'S OLYMPIC PARTICIPATION

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

David Agnew, Executive Director, Governance Program, Digital 4Sight and Director, The Empire Club of Canada; The Reverend Stephanie Douglas, Assistant Curate, St. Paul's Bloor Street; Francesca Reinhardt, 17-year-old Graduate, Winner of the English Essay Award for attaining a mark of 100%, University of Toronto Schools; Christine Strauss, President, General Mills Canada Inc.; Mark William Couper, President and CEO, NuLife Vitamins; Desai Williams, Three-time Olympic Athlete in Track and Field and Winner of the Bronze Medal in 1984; MGen Bruce J. Legge, CMM, CM, KStJ, ED, CD, QC, Partner, Legge & Legge, Past President, The Empire Club of Canada and Honorary Life Chairman, The Royal Commonwealth Society, Toronto Branch; Ann Curran, Managing Director, Corporate Development International Inc., Partner, Lewis Companies Inc. and Second Vice-President, The Empire Club of Canada; Donna Villaverde, Olympic Athlete, Spokesperson for Taekwondo and National Champion in Finweight; Noreen Clement, Chair, The Royal Commonwealth Society, Toronto Branch and Adult Educator, Burnhamthorpe College; and Gordon J. Fenney, Deputy Chairman, Royal Bank Financial Group.

Introduction by Catherine Steele

It is my privilege to introduce to you now our guest speaker, Carol Anne Letheren, Chief Executive Officer, Canadian Olympic Association.

This September Canadian athletes will represent their county at the Olympic Games in Sydney, Australia. In just 84 days, the Games will begin and athletes who have spent years training will put their training to the test in the hopes of achieving personal bests to take home an Olympic medal.

Those of us who watch Olympic coverage only see the athletes' performance at show time. We don't see the years of training, sweat and sacrifice that they put in to fulfill their dream, to stand on the medal podium, watch the Canadian flag being raised and hear our national anthem.

With Canada Day coming next week, today's luncheon gives us a chance to reflect upon what it means to be Canadian. The recent success of the Molson Canadian ad with "Joe the Canadian" extolling the virtues of being Canadian demonstrates the quiet pride that we have in being Canadian.

In addition to showcasing and celebrating Canada's outstanding athletes and the culmination of their hopes and dreams, the Olympics give us a chance to openly celebrate and cheer those who make us proud. I can still remember screaming at my TV back in 1996 when Donovan Bailey ran his big race. As if my screaming would make him run faster.

As Chief Executive Officer of the Canadian Olympic Association, our guest today knows all about the highs and the lows of Olympic competition.

She is the Past President of the Canadian Olympic Association, Past President of the Pan American Gymnastics Association and was Chef de Mission for Canada's Olympic Team to Seoul in 1988. She is a member of the International Olympic Committee, a member of the co-ordinating commission for the 2002 Olympic Winter Games in Salt Lake City and a member of the site evaluation commission for the 2004 Olympic Games.

She has held positions as Associate Professor and Lecturer at the University of Toronto and York University and also holds an Honorary Doctorate of Laws from the University of Toronto.

Ladies and gentlemen, please welcome Carol Anne Letheren to The Empire Club of Canada.

Carol Anne Letheren

Thank you very much for those remarks and the introduction, in particular for the remarks about the Olympic Games and the Olympic movement. It was wonderful to sit and hear them, and hear how other people feel about the Games and the movement. I had the privilege about an hour before this lunch started to spend some time in another room in this hotel with some very talented young people. You heard some of our Olympic athletes introduced, and I'm delighted that they are here today. But there is another group of young people who have won essay contests. As I was upstairs speaking to them and they were being presented with their certificates, I found myself in a situation in which I often find myself at the Olympic Games—shedding the odd tear. When the first paragraph or the last paragraph of each of their essays was being read out I was astounded by the quality, the insight and the excellence of them. I'm going to ask all of our Olympic athletes who are in the audience to stand together with all of the young people who were so justifiably awarded earlier today. It's wonderful to have so many talented young people in our midst.

At the Olympic Games there is something called the Olympic Village, the secure zone in which the Olympic athletes, their coaches and their officials live. The village is a very special place for them and not many other people have the opportunity to go inside it. But they certainly stand outside it. They stand outside the village in droves. They come by foot, they come by subway, however they can get there. They are there to talk to, touch and smile at the young people who are in that village and about to compete for their country. I don't think they care whether those young people can run fast, throw heavy objects, jump high or hold their breath for a long time under water. That is not why they're standing outside the village. They're standing there because those young people set phenomenal goals. They steadfastly move toward those goals and never veer from them. Often those goals are goals that are totally unattainable. But nevertheless, they set them. And often they achieve their goals under what I would consider very adverse circumstances. They are people who make the human spirit soar. What they stand for is beyond and above their phenomenal talent as athletes. The young people in this essay contest have also pursued a dream. They have persevered but also become vulnerable. They have submitted their essays to be judged by somebody else. That is also very courageous. So I salute them all, and I think it's wonderful that we're here today to honour all of them.

Tomorrow is International Olympic Day—the day the Olympic movement is celebrated worldwide. We're delighted that you selected us to be part of your Empire Club luncheon. It is also the day when all of the Olympic movement is celebrated—not just the Olympic Games, but the values, the principles, the philosophies behind which that movement was founded.

Let me tell you a little bit about the Canadian Olympic Association. Our job includes sending a team to the Olympic Games and another to the Olympic Winter Games. We also send a team to the Pan-American Games. We have responsibility for promoting and furthering the Olympic movement in this country and I'm going to share with you some of the things we're currently doing. It's also our responsibility to contribute to the development of athletes. I'm going to talk a little bit about where we're headed in that area. It's also our job to select and name any potential host cities for the Olympic, Olympic Winter or Pan-American Games, and put them forward together with our city.

We have a broad spectrum of responsibilities and we work on a four-year budget. Currently that budget is around $70 million. One of the things we are extremely proud of is that over the years we have moved to being independent in terms of our revenue generation. The federal government is a sponsor of the Canadian Olympic Association but contributes less than 3 per cent of our total revenue. You were introduced to some very fine people here today who represent part of that revenue generation—the sponsors of the Canadian Olympic Association and the Canadian Olympic Team. We're delighted that they have become part of the Olympic family. We're delighted to be an independent organisation and the largest private-sector contributor to sports in this country, providing approximately $30 million over the four years in direct grants to sport associations, to athletes and to coaches. And we'd love to do more. We represent something like 10 per cent of the funding. We're just anxious to do more and more.

Let me tell you a little bit about our team going to Sydney. We're now at 322 athletes and they will be accompanied by roughly 200 officials. By officials we mean coaches and medical people—people who can make a difference to the performance of the athletes. That doesn't mean people who sit in the stands and watch.

We don't send athletes just for the sake of having a team there. We are one of the larger national Olympic Committees in the world, and so we feel it's part of our responsibility to send a well-qualified and prepared team.

When I hear the words "Olympic champion," I think of something very different from "world champion." There's something more powerful behind the title "Olympic champion." Perhaps it's because the Olympics is an event that creates a lot more circumstances for an athlete to deal with. It is a multi-sport games. The athletes are living in an Olympic village with 9,999 other people, approximately. And they're living with them for a month. I can tell you that that is a distraction. I'm sure they'd all vouch for that.

That's a wonderful part about the Olympic Games. I believe it's one of the things that have kept the Olympic

Games alive and given it the energy, the drive and the passion to withstand wars, political intervention and drugs. From my perspective it's because there are 10,000 young people from all around the world who live together for a period of one month and who cherish that. I bet to a person they'll tell you that that was an experience of a lifetime. So it's both a distraction and a wonderful asset.

It's also the most televised event in the world in terms of cumulative viewing audience. There isn't an athlete who isn't on that world stage in whatever they're doing. They're putting themselves in front of the world.

The Olympic Games is a spectacle. It's a festival as well as a sporting event. The athletes are part of something that lasts for a very long time. They're not flying in for a competition and flying out. They're generally staying for a minimum of four to five days, and some of them stay the full 16 days to support both their own event but also the events of others who are competing at the Games. You have to perform at "the moment." You have one chance.

The athletes in our Sydney team range in age from 15 to over 30. This also creates an interesting experience for the athletes.

And then there's the logistics because we're going to be in another hemisphere when we're in Sydney; we're going to be many time zones away. That creates an interesting logistic for everybody, not just for the athletes.

Our first cargo shipment is off to Australia June 26 and we're sending a total of more than 50 skids weighing approximately 1,000 pounds each. You can say, "What on earth are you putting in those skids?" Well, we've got clothing, we've got popcorn, we've got playing cards. We've got the gambit in terms of setting up the athlete lounge where the athletes spend their free time. We're also sending a full medical clinic. The range of what we take to an Olympic Games and the logistics behind it is remarkable. And that doesn't even take into account the fact that in addition to transporting the athletes we transport horses over, we send yachts, we send sculls, we send javelins… everything goes.

So it is a huge logistics exercise. Our team is still qualifying. The team will be announced sometime in mid-August.

I mentioned earlier that it's our job to promote and further the Olympic movement. We have for some time now been involved in what we will call loosely Olympic education. It's a very important component of what we do. It's very near and dear to my heart. It's an education programme that goes into the elementary schools. We've been doing it every Games since 1988. We've done it in some 'off' years as well. It's a programme that's delivered to 15,000 elementary schools. At one point we stopped and questioned whether or not we were getting to the teachers. We did a little bit of research just prior to the Nagano Games. We sent out a teaser card to the schools and said that for the first 200 schools to write back (and it had to be a teacher writing back) we would provide an athlete to speak to their assembly or their school whichever they chose. We had 5,000 responses within three weeks. So it did help us understand that the education programme was getting used.

We're using the Web more extensively than we ever have. I'm proud to say that the Australian Olympic Committee has just approached us to say that it would love to find a way to work with us, do a joint programme, and share the cost. So we know our programme is also getting out there internationally.

Sydney, we will be there in September. It will be the second time the Games have been held in Australia. They were in Melbourne in 1956. There will be roughly 15,000 individuals in the Olympic village, give or take a few. And there will be 15,000 media or more at these Olympic Games.

The Olympic village can provide meals for anywhere between five and six thousand people at one sitting. It's open 24 hours a day. So whenever you hear stories coming out of Sydney, you know the kind of preparation and detail that is being put into these Games. And the Australians will do a phenomenal job.

The Canadian Olympic Association representing all of the Olympic and Pan-American sports have voted that its goals for the next period of time are as follows. In 2002 at the Olympic Winter Games in Salt Lake City it wants Canada to rank third in overall medals. That's a jump for us. Remember however in Nagano, we did beat the U.S. In 2003 at the Pan-American Games in the Dominican Republic we want to achieve medals in 60 per cent of entries. The Pan-American Games is different (from a medal count we'll always be in the top three) so we have to find a different way of challenging ourselves. In 2004 in the Athens Olympic Games we'd like to rank eighth. That's a jump. Then in 2008, we will rank, we hope, fourth in medals. And in 2010, in the Olympic Winter Games, we're aiming for first place in the medals.

Our Association believes that's 'do-able.' And like the athletes who set goals, it knows those are really high goals. It is banking on incredible support, and incredible collaboration. We know that can't happen if we can't get the federal government and all of the associations at one table, with all the money in the middle.

And now, before I finish, I want to come back to Toronto, because this is a very important year for this city. But 2001 is even more important. We've got a lot to do to bring the Olympic Games to this city. Apart from business opportunities, there are lots of social opportunities that the Games bring to a city. I think Calgary still thinks they have the Winter Games next time around. Any time you go there, it is still alive with what that dream has left them with.

And so it's going to be up to us to demonstrate how good we can be in a ton of areas. From city planners, to architects, to engineers, to social planners, to people who really think about what the Olympic movement really stands for, to all of the athletes and coaches and people in the sports bodies who know what it means to have excellent venues. Just imagine if in 2008 the world comes here to our waterfront and as a city we are able to celebrate the best of humanity. Even if it's for only 16 days, it will live with us forever. So good luck Toronto, and good luck to all of you.

Thank you very much.

The appreciation of the meeting was expressed by Ann Curran, Managing Director, Corporate Development International Inc., Partner, Lewis Companies Inc. and Second Vice-President, The Empire Club of Canada.

Carol Anne Letheren, CEO, Canadian Olympic Association and Allan Fotheringham, Author and Columnist.

September 13, 2000

Todd Brooker

Three Time World Ski Champion

ARTHRITIS SOCIETY OF CANADA

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Catherine Hofstetter, Volunteer and Patient Advocate, Arthritis Society of Canada; Rev. Dr. John Niles, Victoria Park United Church; Alex Squires, Managing Director, Brant Securities Limited and Secretary, The Empire Club of Canada; Margaret Samuel, CFA, Equity Analyst, Royal Bank Investment Management Inc. and Director, The Empire Club of Canada; Michael S. Cloutier, President, Pharmacia Canada; Lee Simpson, Chair, The National Board of the Arthritis Society; Denis Morrice, President and CEO, The Arthritis Society of Canada, Malcolm Moffat, Chief Planning Officer and Vice-President, Patient Care Program, St. Michael's Hospital; and Dr. Lawrence Rubin, Division Director of Rheumatology, St. Michael's Hospital.

Introduction by Catherine Steele

It is my privilege to welcome our guest speakers, Todd Brooker and Catherine Hoffstetter, who will today deliver messages as spokespeople for the Arthritis Society of Canada.

Here are some quick facts about arthritis to set the stage:

- More than four million Canadians, that's one in seven, have arthritis.

- With the aging of the baby boomer population, the number of Canadians with arthritis is expected to increase to 6.5 million in 30 years.
- One in five women in Ontario have arthritis. Arthritis affects twice as many women as men in Ontario.
- Arthritis is the most common cause of long-term disability in Canada and the third most-frequent reason for prescription drug use in Canada.
- An estimated 1,900 Canadians die from ulcers induced from traditional arthritis medications. This is why new developments in drug therapies like the new COX 2s such as Celebrex or the disease-modifying agents known as DMARDs are so important.

Before we hear from Todd Brooker, I'd like to call upon Bill Graham, M.P. for Toronto Centre Rosedale to say a few words.

Now it's my pleasure to introduce Todd Brooker, a former member of Canada's National Ski Team from 1976–1987, better known as one of Canada's crazy canucks. Todd won three world cup downhill titles in 1983 and 1985, was ranked the #1 downhill skier in the world in 1983 and 1984 and was a member of the 1984 Canadian Olympic Team. Todd is here today as a spokesperson for the Arthritis Society and before we hear from him, I'd ask you to turn your attention to the screens at the front of the room.

Ladies and gentlemen, please welcome Todd Brooker to The Empire Club of Canada.

Todd Brooker

Mr. Brooker showed a video of some of his career highlights, reminisced about some of those events and explained that he is an arthritis victim now and is speaking out on behalf of the Arthritis Society of Canada.

Catherine Steele

Now it's my pleasure to introduce Catherine Hoffstetter, a volunteer and patient advocate with the Arthritis Society of Canada.

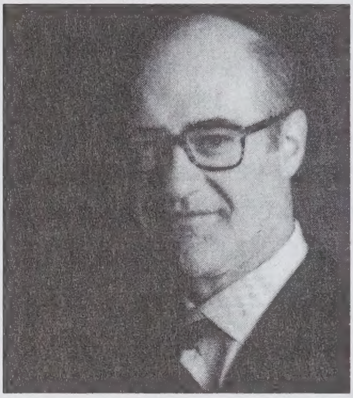
President of McGowan Fence and Supply in Toronto, Catherine was diagnosed eight years ago at age 36 with rheumatoid arthritis. Catherine is very involved with the Arthritis Society teaching physicians how to properly examine patients with arthritis through the Patient Partners Program. She also works with the Arthritis Self Management Program which teaches people how to live with and manage the disease.

Ladies and gentlemen please welcome Catherine Hoffstetter to the Empire Club of Canada.

Catherine Hoffstetter spoke a few words.

The appreciation of the meeting was expressed by Alex Squires, Managing Director, Brant Securities Limited and Secretary, The Empire Club of Canada.

Noreen Clement, Chair, The Royal Commonwealth Society, Toronto Branch and Adult Educator, Burnhamthorpe College, M.Gen. Bruce J. Legge, CM, CD, KStJ, ED, CD, QC, Partner, Legge & Legge, Past President, The Empire Club of Canada and Honorary Life Chairman, The Royal Commonwealth Society, Toronto Branch and The Reverend Stephanie Douglas, Assistant Curate, St. Paul's, Bloor Street.



September 28, 2000

Jean C. Monty

Chairman and Chief Executive Officer, BCE Inc.

SWIFTER, HIGHER, STRONGER: COMPETING IN THE INTERNET ECONOMY

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

John C. Koopman, Partner, Heidrick & Struggles and Third Vice-President, The Empire Club of Canada; Reid LeMesurier, Grade 12 Honour Student, Etobicoke Collegiate Institute; Donna S. Kaufman, Lawyer and Corporate Director, Donna Soble Kaufman and Director, BCE Inc.; David J. Kassie, Vice-Chairman, CIBC and CEO, CIBC World Markets; Anthony S. Fell, Chairman, RBC Dominion Securities Limited and Deputy Chairman, Royal Bank of Canada; Ivan Fecan, President and CEO, CTV Inc.; Ralph M. Barford, President, Valleydene Corporation Ltd. and Director, BCE Inc.; Peter C. Godsoe, Chairman and CEO, Bank of Nova Scotia; Harry T. Seymour, Partner, GBC Asset Management Inc. and Past President, The Empire Club of Canada; Jocelyne Côté-O'Hara, Principal, C_2O & Company and Director, The Empire Club of Canada; John W. Sheridan, Vice-Chairman, Market Groups, Bell Canada; The Reverend Kim Beard, Rector, Christ Church, Brampton; F. Anthony Comper, Chairman and CEO, Bank of Montreal; John A. McNaughton, President and CEO, The Canada Pension Plan Investment Board and Past

President, The Empire Club of Canada; A. Charles Baillie, Chairman and CEO, TD Bank Financial Group; and Richard J. Currie, President, George Weston Limited and Director, BCE Inc.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, Jean Monty, Chairman and CEO, BCE Inc.

I must admit I wasn't quite sure how to introduce our guest speaker. Much like that phrase what do you get for the man who has everything, I found myself thinking what do I say about the CEO who owns everything.

Maybe everything is a slight exaggeration but at least half of the Toronto Stock Exchange. There can be no doubt that BCE Inc. is on the fast track to growth showing no signs of slowing down.

Telecommunications, Internet, e-commerce, print media and television are just some of the components of BCE Inc. For most of us, the enormity of the company and its lines of business are almost hard to comprehend. But the influence of BCE and its presence in the everyday lives of Canadians is tremendous.

Convergence indeed. Alexander Graham Bell would be proud.

Ladies and gentlemen, please welcome Jean Monty to The Empire Club of Canada.

Jean Monty

I feel privileged to speak at a podium that has seen prime ministers, presidents and world leaders.

While I am in Toronto often, I'm planning a longer stay in 2008, when I hope to take in some Olympic events in this city. I'm proud of Bell's involvement as a founding sponsor of Toronto's Olympic bid and as a sponsor of the Canadian Olympic Association. We've added an Olympic page to Bell.ca, our website; so Canadians can send e-mail greetings to their favourite athletes, and Canadian schoolkids can join live interactive webcasts with the Canadian team in Sydney. No wonder it's been called the first Internet Olympics; it's the first Olympics where many fans reach for their computer mouse before their TV remote.

In 1896, 16 years after the founding of Bell Canada, Baron Pierre de Coubertin revived the modern Games in

Athens. For those first Games, de Coubertin chose a Latin phrase as the Olympic motto, a phrase which translates as "Swifter, Higher, Stronger." Looking around at this city's vibrant cultural and business life, I believe the Olympic motto could serve equally well for Toronto.

Nor can I imagine a better motto for the business we're in at BCE. Convergence is causing competitors to become ever swifter, higher and stronger—ever bigger too. Convergence is pushing communications companies to acquire content and e-commerce capabilities, media companies to merge with distributors, and entertainment conglomerates to join dot-coms at the altar of the Internet.

In Canada, BCE is the only company to have sizable stakes in all these areas, the only company with scale in connectivity, content and commerce—the three forces that are driving the Internet's growth and our strategy at BCE.

You only have to glance at the business pages to see that this is a global phenomenon. The Internet is powering the merger of Seagram and Vivendi; brokering AOL's purchase of Time-Warner and creating multi-media Goliaths that straddle the globe. Let's put just one of these mega-mergers into a Canadian context. BCE, Canada's largest communications and media company, has a capitalisation of some US$15 billion. However, compare this with Vodafone/Mannesman, with a capitalisation of about US$230 billion. That's more than 17 times greater. So BCE may seem big at home, but on these giants' radar screens, we barely rate a blip.

It's easy to imagine one of these multinationals gobbling large chunks of our industry, without any commitment to Canadian content, without any understanding of Canadian culture. I can't think of a better argument for ensuring that Canada's communications and media industries remain strong. And I can't think of a better vision for what we're doing at BCE, a vision I articulate as “bringing the world to Canadians and Canadians to the world, through communications.”

Convergence: seeking the end-game

Convergence is indeed bringing more of the world to more Canadians. And increasingly, it’s enabling us to get more information, entertainment and e-commerce from one supplier, whether it’s over TV, wireless and wired telephones, or satellites. The common bond is the Internet.

Where is convergence headed? Straight to the Internet, to be sure. But how and in what form? There’s no shortage of brave predictions out there, but no one knows for certain how the Internet will evolve, not the media gurus, not the dot-com millionaires. It’s like the Olympic Games; we tune in because we don’t know who will cross the finish line first.

So when it comes to picking winners, even the savviest can miss the obvious. May I remind you that IBM dismissed an obscure operating system that beget Microsoft? And may I also remind you that just a few years later Bill Gates was just as dismissive about the Internet.

As Canada’s leader in communications and multimedia, BCE can’t afford to wait by the sidelines. Our shareholders and our customers can’t afford it. But if we move quickly and selectively, then I think we can stay well ahead of the competition at home and abroad. And indeed I believe BCE is making the right strategic moves, as I trust today’s address will demonstrate.

BCE’s Internet strategy

BCE’s Internet strategy centres around three axes: connectivity, content and commerce. These three elements represent the building blocks, or drivers behind some of the past year’s transactions. Why buy CTV and Teleglobe? And just a few weeks ago, why did we join forces with the Thomsons to found Canada’s premier multimedia company; a company owning powerful media brands such as CTV, *The Globe and Mail* and Sympatico?

Allow me to point out that long before CanWest-Global's acquisition of Hollinger newspapers, before Rogers' purchase of the Blue Jays and before Quebecor's pursuit of Videotron, BCE had its sights on the Internet. Since 1998 we've invested some $20 billion to transform Bell from Ontario and Quebec's phone company into Canada's Internet and multimedia powerhouse; a powerhouse with significant scope and scale for the Internet economy.

Let's look at how connectivity, content and commerce are driving BCE's Internet strategy. Let's begin with connectivity.

Connectivity

Connectivity is simply a measure of how widely connected we are with Canadians. Add up the number of homes and businesses that are hard-wired to Bell's network, the number of wireless subscribers to Bell Mobility and the number of Bell ExpressVu satellite TV subscribers and that's our connectivity.

With Bell's increased national presence and the scope of its connectivity, we now have more than 18 million points of contact with our customers and we're still growing. While that's the best connectivity in Canada, sheer numbers don't make a national company. Only presence in every region can do that. This is why during the past year we began rolling out services from coast to coast. We increased our stake in Aliant, which serves Atlantic Canada, we purchased a 20-per-cent interest in Manitoba Telecom Services and we co-founded Bell Intrigna to serve Alberta and British Columbia.

In 1998, we purchased Fonorola fibres and Nortel optics equipment worth $500 million and built Canada's only coast-to-coast broadband network serving the country's largest users of band width.

With this national network in place, we're set to further grow Sympatico, our Internet access service. Sympatico's 900,000 subscribers make it Canada's leading Internet service. Significantly, 160,000 of those subscribers have high-speed access, which means they enjoy a richer online experience.

Of course, it's now possible to get that experience in more ways than ever before, not just through wires and fibre optic strands, but over thin air. Bell Mobility's wireless Web services are growing at 35 per cent every month. In fact the last time I checked, nearly one-third of digital subscribers were logging on with their cell-phone to get e-mail, check their portfolios and, these days, catch up on the latest Olympic news.

There is no question in my mind that the next big leap will be wireless access to the Internet. In this respect, Bell Mobility is a leader, a fact acknowledged by the Yankee Group, a top industry watcher. They noted that "once again, Bell Mobility is setting the pace" in the race to develop the wireless Internet and named us North America's most innovative wireless company in 1999.

A moment ago I noted that Bell ExpressVu strengthens BCE's connectivity. There's a reason for that. Bell ExpressVu is not just Canada's leading satellite TV service. It also beams the Internet to remote communities and schools. All this was made possible by the launch of Nimiq, Canada's first high-power direct-broadcast satellite. With Nimiq in the sky, Bell ExpressVu can now offer the country's largest programming lineup at 200 digital video and music channels and smallest dish. Bell ExpressVu has already signed up half a million subscribers, and will likely top one million by 2002.

Teleglobe

BCE's Internet connectivity at home is matched by its growing connections abroad. This explains our acquisition of Teleglobe, which owns the third-most extensive undersea fibre optic cable network in the world. Teleglobe has great strategic value. It's a gateway to the world for our business customers and a partner for other BCE companies seeking connections in foreign markets. It is also an enabler for additional growth beyond Canada.

Teleglobe customers are a who's-who of the Web, including America-On-Line, Yahoo!, Microsoft, Excite, Akamai; they also include 800 carriers, 100 broadcasters and hundreds of ISPs.

Like BCE, Teleglobe is in transition. It's shedding yesterday's dependence on voice traffic to become a full-fledged Internet player. In fact, Teleglobe is now building the most advanced broadband network in the world—a network that will support the growing demand for data around the world.

As with any major transition, this one will require Teleglobe to meet some challenges. However, like Nortel in the 80s and Bell Canada in the 90s, Teleglobe is close to turning the corner. Since taking over, BCE has installed new management, helped to trim costs, and improved margins.

Content

Let's now turn our attention to content. Content is a rather dry way of describing everything from election coverage to a hockey game; from Atom Egoyan's latest movie to a sitcom; from buying books on-line to providing stock listings over cell phones. It's all content: information, entertainment and e-commerce carried by copper and fibre optic strands; by radio waves beamed from antennas and satellites.

As I noted some moments ago, BCE's connectivity brings us to millions of Canadians and businesses. But until recently, we did not provide any of the content we carried. For BCE to claim a viable growth strategy in the Internet economy, content is key. After all, the Internet is where media intersect; increasingly, it's what broadcasting, print and communications have in common.

As you know, this year BCE purchased CTV, Canada's leading private TV network, whose programming reaches 99 per cent of English Canadians. The CRTC, which must approve the purchase, held Change of Ownership hearings just last week, and we expect its decision later this year. Two weeks ago, together with the Thomsons, we announced the creation of Canada's largest multi-media company.

That company gathers under one umbrella: CTV and its 13 specialty and payTV channels; *The Globe and Mail*, Canada's leading national newspaper; ROBTV and nine Globe Interactive sites, including Workopolis.com and GlobeInvestor.com; and Sympatico-Lycos, Canada's leading Internet portal, which logs nearly 100 million page views per month. It will also include other Sympatico websites, such as our much-visited city sites, like Toronto.com, and on-line White and Yellow Pages. All told, the company will reach one-third of all on-line Canadians and generate 200 million Web page views per month. Not incidentally, it will be based in Toronto and employ some 4,000 Canadians across the country.

Now, very importantly, we will continue to build each media brand in its own market segment and cherish the value it creates by itself. But add it up, and it's an unbeatable multi-media powerhouse. And simple addition doesn't do justice to the potential. Only multiplication can convey the built-in synergies: the potential for distributing content from platform to platform; for cross promoting programmes, reporting and other content; for enhancing each other to reinforce Canada's best known and most respected media brands.

This is how we intend to differentiate ourselves in order to encourage the majority of Canadian Web surfers, that bypass Canadian websites, to go through our

Canadian sites first as they connect to the worldwide Web rather than go directly to U.S. sites.

This is something that no foreign-owned competitor is able to match. Nor can they match our commitment to local and national content; our commitment to building a window on the world for Canadian eyes and ears, and a window on Canada for the world to enjoy.

Commerce

Now let's examine e-commerce, the third axis in BCE's Internet strategy—BCE Emergis and CGI, our two e-commerce specialists, in the business-to-business market. This means that they provide business customers more ways to connect and to seamlessly buy and sell products and services on-line. Indeed, they're Canada's e-commerce leaders, and are expanding into the U.S. and beyond.

Business-to-business e-commerce is lubricating the wheels of Canadian business, particularly among small- and medium-size firms. For these smaller players, e-commerce delivers the speed and critical mass once enjoyed only by the biggest. I'll cite just one e-commerce initiative, Procuron, and how it will change the way companies are doing business. Unveiled yesterday, Procuron enables firms of all sizes to gain the procurement clout of large corporations. BCE Emergis is a partner in Procuron, along with Bell Canada, CIBC, e-Scotia, and Mouvement des caisses Desjardins. They've combined their purchasing power to create a marketplace any company can join; a marketplace that stocks everything from office supplies and computers to travel and translation services—all at volume discounts.

Examples like Procuron suggest that our confidence in business-to-business e-commerce is being borne out. According to Forrester Research, the Canadian market will generate an estimated $218 billion in transactions by 2004.

Empowering the customer

So there you have it: connectivity, content and commerce, the three axes of BCE's Internet strategy. At this point you might well ask, what's the advantage of having our fingers in so many pies? Why not focus on Bell's traditional phone business, which has served us well for generations? Well, it's simply because there is no such thing anymore. The network we built to carry voice is now buzzing with Internet traffic. Where growth in voice traffic is nearly flat, data is climbing the chart at roughly 25 per cent every year. In short, voices and ears are being replaced by eyes and minds, eager to embrace the Internet.

I began today with the Olympic motto. I began by suggesting that today's communications players are racing to become ever swifter, higher and stronger. What I did not mention is a corresponding empowerment in ordinary Canadians, an empowerment that enables them to choose when and how they get their information and entertainment.

Today, our customers can log on Bell.ca to add or subtract services, to check their account, order equipment or sign up with Bell ExpressVu. They can customise their Sympatico-Lycos home page so that what interests them—local weather, sports, headline news, whatever—pops up when they log on. Liberated from the desktop, they can use their cell-phone to check e-mail, shop or locate a nearby restaurant.

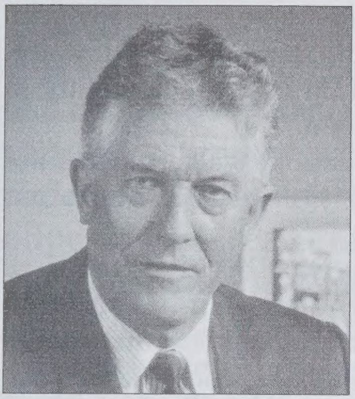
If one of our Canadian athletes wins a gold medal halfway around the world, he or she can choose to wait for the sportscast, the evening news or morning papers or find out immediately, with just a keystroke. Swifter, higher, stronger indeed!

BCE owes it to customers, employees and shareholders to evolve the business; to go where value is being created; to continue providing more choices to our customers and to deliver experiences and destinations rather than only a connection. We also owe it to Canada, if we are to maintain Canadian cultural spaces, and if Canada is to compete toe-to-toe in the Internet economy.

Thank you.

The appreciation of the meeting was expressed by Harry T. Seymour, Partner, GBC Asset Management Inc. and Past President, The Empire Club of Canada.

John A. McNaughton, President and CEO, The Canada Pension Plan Investment Board and Past President, The Empire Club of Canada, Jean C. Monty, Chairman and CEO, BCE Inc. and Harry T. Seymour, Partner, GBC Asset Management Inc. and Past President, The Empire Club of Canada.



October 5, 2000

Hank Vander Laan

President and Chief Executive Officer,
Trojan Technologies Inc.

HOW SAFE IS YOUR WATER?

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Col. Frederic L.R. Jackman, CSt.J. Ph.D., LL.D., President, Invicta Investments Inc. and Past President, The Empire Club of Canada; Garth Archibald, Student, Parkdale Collegiate Institute; Grant Kerr, Pastoral Staff, St. Paul's United Church, Brampton; Ned Macaulay, Marketing Consultant and Venture Capital Investor, Macaulay Marketing and Director, Trojan Technologies Inc. Board of Directors; Anthony F. Griffiths, Director, Trojan Technologies Inc. Board of Directors; William D. Laidlaw, CEO and Executive Director, St. John Council for Ontario and First Vice-President and President-Elect, The Empire Club of Canada; John Kaime, President and CEO, London Economic Development Corporation; and Forbes West, Senior Vice-President, Financial Communications, Hill & Knowlton.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, Hank Vander Lann, President and Chief Executive Officer, Trojan Technologies Inc.

When we made arrangements last spring for Mr. Vander Laan to speak to the Empire Club, I must admit I wondered what our guest speaker would say. I mean what could possibly be new about water.

Then in May came Walkerton and the events there made many of us re-think our everyday routine of going to the tap to get clean water. Suddenly, doubts and questions popped up over a commodity to which most of us never give a second thought.

Clean water and ensuring that the events in Walkerton are not repeated anywhere is now very topical. Not just in Ontario but across the country.

For our guest speaker today, water is what his company is all about. Trojan Technologies Inc. is a Canadian-based high-technology environmental company that operates internationally. With more than 20 years experience, Trojan has the largest installed base of disinfection systems operating around the world. The company specialises in the design, manufacture and sale of ultraviolet disinfection systems for municipal waste water. In addition, Trojan designs and sells drinking water systems for residential, municipal and commercial use.

In 1992, Trojan received the Ontario Chamber of Commerce Outstanding Business Achievement Award. In 1993, Trojan became a publicly traded company on the Toronto Stock Exchange, and in 1997, the company received the Financial Post Environmental Technical Gold Award. The company was recently awarded the Outstanding Production Achievement Award for its system uv4000 wastewater technology system by the Canadian Advanced Technology Association. They are a Canadian success story.

Our guest speaker, Hank Vander Laan founded Trojan Technologies in 1977 and is the President and Chief Executive Officer. A long-time resident of London he has previously held senior management positions in Cable television operations. He received his education from the University of Western Ontario.

Ladies and gentlemen, please welcome Hank Vander Laan to The Empire Club of Canada.

Hank Vander Laan

Good afternoon ladies and gentlemen and thank you for your warm welcome. I first want to thank the Empire Club for inviting me to speak to you today. Speaking to you is certainly an honour. It is my hope that through this presentation you will learn more about a subject that I am very passionate about—a topic that has recently become a serious concern among many Canadians. That is the safety of our drinking water.

In my presentation today, I will provide you with an overview of the issues countries face to ensure that safe and adequate drinking water is available. I will discuss the various water-protection strategies currently used here and in other countries. I will introduce you to the leading-edge water-treatment technologies that have been developed here in Canada.

Let me illustrate the urgency of the water crisis with some alarming statistics.

Globally 30,000 people die each day from drinking contaminated water. In low-income countries worldwide, 1.5 to two billion people do not have access to a reliable supply of safe drinking water. These countries may be more appropriately referred to as "Thirst World" countries.

In his recent book on water, Marq de Villiers, stated that "...a child dies every eight seconds from drinking contaminated water." It is disturbing to think that in the short time it takes me to speak here today, 150 children around the world will have died from waterborne disease. Protecting the earth's water resources is a necessity; for me it is a passion—not only a business.

I remember when I was a boy growing up on a farm just outside London, Ontario, my mother would pour chlorine or Javex into our well to ensure our water was safe to drink—a practice that continues to happen today in many homes with private wells. These memories raised my awareness of the need for more reliable and advanced disinfection methods when I began Trojan Technologies in 1977.

Trojan Technologies is entirely focussed on developing leading-edge environmental technology for the disinfection of water through ultraviolet light. Employing over 300 staff, we are based in London Ontario and have offices in California, England and Holland with additional sales and service personnel in Australia, France, Germany, Spain and Italy.

It is my vision to make the world a safer, cleaner and healthier place for future generations. We can create lasting solutions to environmental problems through focussed research, engineering excellence and quality manufacturing. For over 20 years we have seen the many problems and have provided the solutions to hundreds of municipalities all around the world.

We are all confronted by one unavoidable fact: the earth is running out of fresh water. Water use has been growing at more than twice the rate of population growth. About one-third of the world's population is now living under moderate or severe water stress. This is expected to increase to two-thirds by 2025 when the world will need fresh water to support an additional two billion people.

As Marq de Villiers wrote, "The trouble with water is that they're not making any more of it. There is the same amount of water on the planet now as there was in prehistoric times." The amount of water on this earth is fixed; it is not being created or removed. It is contained as atmospheric moisture, oceans, rivers, lakes, groundwater, subterranean aquifers, polar icecaps and saturated soil, tundra or wetlands. Water is transferred from one of these reservoirs to another by the action of solar energy and by gravity. The majority of the earth's surface consists of the oceans and more water evaporates from the oceans than returns to them as rain or snow. The balance falls on the land—which is fresh water—and it is this balance that makes all terrestrial life possible. Less than 1 per cent of the earth's fresh water is available to support life. It is this supply that is currently in use, is being reused or is being polluted.

DeVilliers expresses this very clearly when he states that if all of the earth's water were placed in a five-litre container, the amount that is available to support life is less than one teaspoon.

Canadians are very fortunate as about one-tenth of this available water is located in Canada—a country with only 0.5 per cent of the world's population.

Each Canadian uses an average of 350 litres of water per day while Americans use 425 litres per day, making North Americans the highest per-capita consumers of water in the world. Yet, a person really only needs 80 litres of water per day to maintain a reasonable quality of life.

In Mexico City, home to over 20 million residents, unsustainable pumping of local groundwater has caused parts of the city to subside nearly 20 metres. As a result, water must be brought in from a distance of 300 kilometres. Our water table, even here in Ontario, is being depleted.

As the world population and the demands on our water resources continue to grow, the importance of water conservation and reuse through innovative technologies becomes increasingly important.

The United Nations and the World Bank have been well aware of the crisis looming before us. In their work with World Water Vision, recommendations have been made to ensure water resources are sustainable in the 21st century. Some of the recommendations include the need for governments to act as enablers providing effective and transparent regulatory frameworks for private action. They also recommended that water be viewed as a commodity with full-cost pricing and targeted subsidies for the poor. These recommendations will not be implemented unless political will is mobilised and we all change our behaviour.

The water treatment industry now plays a significant role in contributing to improved global health.

Treatment is needed in three different types of water that we use: our drinking water, the wastewater or sewage that we produce and the process water used in industries and agriculture. Disinfection is one of the most important treatment processes in each of these applications. Some of the world's leading advances in water disinfection technology exists right here in Ontario.

For drinking water, the treatment choice for each municipality depends on a number of factors that are site-specific. Adjustments are made depending on the raw water quality. These factors include the turbidity levels or the amount of particles in the water, the water temperature and pH level as well as the number and types of micro-organisms that exist in the water.

There is no one perfect solution for water treatment. We saw that in the case of Walkerton where bacteria counts exceeded normal levels and the single barrier approach in place was not sufficient.

In North America, the traditional method of disinfecting drinking water is to use a chemical disinfectant such as chlorine, chloramine or chlorine dioxide. Chlorination of drinking water is one of the most significant public health advances of the 20th century saving more lives than all of the medicines combined. It has been credited with virtually eliminating the risks of bacteria that once caused epidemics such as cholera, typhoid, dysentery and hepatitis. More than 200 million Canadians and Americans receive chlorine-disinfected drinking water every day.

Over 98 per cent of the drinking water supply systems in the U.S. that disinfect use chlorine and every one of Canada's 3,000 drinking water plants use chlorine disinfection. Chlorine-based disinfectants have the lasting residual properties needed to help prevent re-growth of micro-organisms as the water is distributed from the treatment plant to your tap.

But there are now two very serious concerns about the widespread use of chlorine as the sole disinfectant for water.

The first concern is the evidence of by-products called "chlorinated hydrocarbons" that are found in surface water supplies treated with chlorine. When chlorine and decaying organic matter such as leaves and animal waste come together, a chlorine compound called Trihalomethane or THM is formed. In studies carried out by the University of Toronto and the Ontario Cancer and Treatment Foundation, consumption of chlorinated water has been shown to be associated with bladder, colon and rectal cancer. The greatest risk for contracting the cancers was among those who drank water with elevated levels of THM for over 35 years.

Earlier this year, about 100,000 residents in Newfoundland learned that their water supplies contain up to four times the allowable level of these compounds affecting more than one-third of the province's communities.

Other research has connected high levels of THMs to reproductive disorders such as miscarriages, birth defects and low birth weights. It is estimated that women living in high-THM areas run the risk of stillbirth that is 1.7 times higher than that of women whose drinking water contained lower levels of THM.

Authorities warn however that the risk of drinking unchlorinated water is much higher. It is clear that an alternative solution is needed.

The second serious concern is that protozoa such as Cryptosporidium and Giardia are resistant to chlorination. Giardia, the most common parasite found in Canadian drinking water, causes giardiasis or "beaver fever." In the early 1990s, 26 people in Dauphin, Manitoba were diagnosed with giardiasis. But public health authorities said that as many as 2,000 people could have been made ill in the outbreak.

Cryptosporidium outbreaks tend to be larger and more serious. In 1993, 100 people died and 400,000 suffered as a result of a Cryptosporidium contamination of city water supplies in Milwaukee, Wisconsin. In the same year, 200 people became ill in Kitchener-Waterloo from drinking water contaminated with Cryptosporidium. More recent outbreaks have occurred in Collingwood, Ontario and Kelowna, B.C.

One of the alternatives to traditional chemical disinfection is the use of ultraviolet energy.

When micro-organisms, such as bacteria, viruses and protozoa, are exposed to UV light, their DNA is rearranged and they can no longer reproduce. Micro-organisms that cannot reproduce cannot cause illness.

Ultraviolet light is produced by lamps which are directly submerged in water. As the water flows past the lamps, micro-organisms are exposed to a lethal dose of UV energy. Over the past 20 years, Trojan Technologies has built a global enterprise based on the use of UV and has re-invested an average of 7 per cent of annual revenues to developing more effective and efficient UV technologies.

Ultraviolet light is an environmentally friendly way to disinfect water. There is no chemical storage or handling risk through the use of UV and there are no by-products such as Trihalomethane left after disinfection has taken place. This allows a small and safe amount of chlorine to be added to drinking water before it is distributed through the system thus providing a dual barrier for disinfection. UV is cost-competitive. It can be as low as one-fifth the cost of ozone and one-tenth the cost of membrane filtration.

UV disinfection has had widespread acceptance in the wastewater treatment field throughout North America. It has long been believed that UV was not capable of disinfecting against Cryptosporidium and Giardia. But recent studies performed by leading North American research institutions have concluded that UV is highly effective at inactivating both of these organisms.

This new research, in combination with the cancer risk associated with traditional chemical disinfection, has prompted a major review of disinfection strategy in the

U.S. A Federal Advisory Committee on Microbial Pathogens and Disinfection Byproducts was established to make recommendations to the Environmental Protection Agency on a disinfection strategy that would balance these two factors. Trojan was honoured when our Chief Scientist, Dr. Bill Cairns, was invited to be an advisory member of this committee. Its recommendations will be the basis for the EPA's new regulations to be proposed in the spring of 2001 and finalised in May 2002.

UV disinfection has been included in these regulations as a viable method of disinfection in a multi-barrier disinfection strategy.

Another disinfection technology used around the world is membrane filtration. Membrane-based water filtration technology has been used historically for desalination of brackish waters. However, it is also effective in trapping micro-organisms in drinking water. Membranes act as a physical barrier filtering out contaminants, parasites and bacteria. Slight suction draws pure water through each thin, hollow fibre membrane strand. This technology, developed and marketed by another leading Canadian company—Zenon Environmental who are represented here today—can be used in drinking water, wastewater, industrial and water-reuse applications.

I'd now like to briefly discuss with you the experiences and strategies used by municipalities and countries around the globe to ensure safe water for their populations. North America can learn a lot from their experience. As a global company, Trojan is often a partner in the design of the treatment solution and can share with others what we have learned from our involvement in diverse water-treatment strategies.

Europeans frequently do not rely on chlorine or other chemicals to disinfect their drinking water. In Europe, adding a chemical to drinking water is considered to be an unhealthy practice. Water experts have devised ways to reduce the threat of waterborne illnesses by eliminating the organic food sources for bacteria and viruses to grow. The typical strategy involves the removal of nutrients that feed micro-organisms through sand, carbon or other form of filtration followed by ultraviolet light as the primary disinfectant.

UV has been used as the primary disinfectant in Europe for over 20 years. The very first installation of UV disinfection was in Paris, France in 1910. Over 400 larger municipalities in Europe rely on UV disinfection for their drinking-water protection including Helsinki in Finland, Milan in Italy, Toulouse in France and Motala in Sweden.

Ozone has been used for several decades in Europe for taste and odour control, colour removal as well as disinfection. Ozone acts as an excellent disinfectant, it produces no chlorinated byproducts and is effective against Cryptosporidium and Giardia.

Ozone does produce other disinfection by-products including ketones, aldehydes and bromate. These can be removed through a filtration process. Ozone does not provide a residual disinfectant and is an expensive treatment option.

UV products are also available that disinfect water as it comes out of the tap or as it enters the building in a home or a business. Going back to my opening remarks, some 20 million homes, cottages and other rural private water-supply users typically have no barriers against bacteria, viruses, or protozoa, unless like my mother, someone has a significant concern about the quality of their water supply.

Today's UV technology allows you to have a reliable solution for less than $800.

It is in this market that I began in 1977. In Trojan's early years, I would fill my station wagon with point-of-use or point-of-entry systems and drive to the Muskokas to set up a dealer network and stock them up with product. Invariably I would come home with an empty wagon convinced that the need for UV disinfection technology was for real, and if the need was for real in Ontario, it certainly would be globally as well. Hence the birth of a new Canadian corporation with a technology that could fill a global need.

Now let me turn your attention to how our wastewater is treated before it is discharged into our local streams, rivers and lakes.

One of the most exciting new developments in the North American wastewater treatment market is the reuse of wastewater. California has been leading the effort to reuse wastewater for irrigation, recharge of aquifers and other non-potable water applications. Disinfection is critical in this application and UV is the technology of choice. Other states are beginning to follow California's lead.

Countries where water is scarce are already looking to alternative disinfection technologies to allow them to reuse rather than discharge their wastewater. New regulations may be developed and implemented requiring that all wastewater treatment plants disinfect their effluents.

Outside North America and Europe, many countries are just beginning to address the need to treat sewage in a centralised facility. Some countries are much further along than others. For example, Hong Kong is building plants for primary treatment followed by disinfection. Trojan's largest UV disinfection system in Asia is in operation at the Shek Wu Hui Sewage Treatment Works serving 250,000 residents and treating up to 65 million gallons of wastewater per day.

How countries and governments manage and regulate the treatment of wastewater impacts significantly on the safety and security of drinking-water sources and ultimately the health of human life.

Disinfection is used in industries around the world where consistently safe water is of paramount concern such as in the food and beverage industry, semi-conductor industry and pharmaceutical industry.

You may be amazed to hear that it takes 350 gallons of water to manufacture one computer chip. Ever increasing computing capacity on a chip requires more and more components on an extremely small surface necessitating the need for ultrapure water applications where even one bacteria can short circuit a chip and cause major quality control problems.

Perhaps there are some lessons to be learned here in terms of quality control for our drinking-water supplies.

In conclusion, let me ask you to think about the cost of this half-litre bottle of water. I bought it at a convenience store for $1.37. That's $2.74 per litre. Yet we are outraged at the gas pumps where we pay 72 cents a litre for regular unleaded gas for our cars. In comparison however, this glass of tap water cost only a few pennies.

Should we as consumers be satisfied with having to buy our drinking water in bottles? Consider the amount of energy needed to manufacturer the bottle, to process the water, to transport bottles of water to retail outlets and finally to recycle or dispose the bottle after it's been used.

By comparison, our tax dollars have already been invested into the existing infrastructure to treat and distribute drinking water right to our homes in an unlimited supply. Would it not make sense to improve the standard of disinfection at the municipal level, implement advanced Canadian technology already in use around the globe and follow the lead of the U.S. and European governments by focussing on the implementation of a multi-barrier treatment strategy?

We have a choice. We can go on as we are today and increase the consumption of bottled water. Or, we can invest in our water-treatment technologies, implement a multi-barrier treatment strategy and have safe, affordable drinking water for generations to come.

I applaud the Ontario Provincial Ministry of the Environment for the work they have done to improve the security of our provincial water supply by implementing mandatory disinfection, testing and reporting requirements. I would encourage the Provincial Ministry follow the U.S. EPA's approach in establishing a multi-barrier strategy as well, thus providing Ontarians with the safest water possible.

As Pasteur said: "We drink 90 per cent of our illnesses." We should never become complacent about the quality of our drinking water. We must remain ever conscious of the need to protect our drinking water supplies through good stewardship, source protection and innovative and environmentally friendly technologies including world-leading technologies right here in our own province.

Thank you very much.

The appreciation of the meeting was expressed by William D. Laidlaw, CEO and Executive Director, St. John Council for Ontario and First Vice-President and President-Elect, The Empire Club of Canada.

Anthony F. Griffiths, Director, Trojan Technologies Inc. Board of Directors, Hank Vander Laan, President and CEO, Trojan Water Technologies Inc. and William D. Laidlaw, CEO and Executive Director, St. John Council for Ontario and First Vice-President and President-Elect, The Empire Club of Canada.

October 19, 2000

A joint meeting of The Empire Club of Canada and The British Canadian Chamber of Trade and Commerce

Alderman Clive Martin

The Rt. Hon. The Lord Mayor of the City of London

INTERNATIONAL FINANCIAL SERVICES IN THE 21ST CENTURY

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Douglas L. Derry, FCA, Corporate Director, Poplar Lane Holdings and Past President, The Empire Club of Canada; Caitlin Allen, Senior Student, Parkdale Collegiate Institute; The Reverend Vic Reigel, Christ Church, Brampton; Hazel McCallion, Mayor, the City of Mississauga; Major General Bruce J. Legge, CMM, CM, KStJ, ED, CD, QC, Freeman of the City of London and Past President, The Empire Club of Canada; Peter L. Agar, Consul General, British Consulate-General; John C. Koopman, Partner, Heidrick & Struggles and Third Vice-President, The Empire Club of Canada; Captain G. Ray Gibson, Master, The Honourable Company of Freemen of the City of London; Robin Anthony Eve, Chief Commoner, the City of London; John S. Smith, Senior Manager, Private Banking, The Royal Bank of Canada, Freeman of the City of London and Immediate Past President, British Canadian Chamber of Trade and Commerce; and K.Y. Ho, Chairman and CEO, ATI Technologies and Director, The Empire Club of Canada.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, The Right Honourable the Lord Mayor of London, Alderman Clive Martin.

Last Saturday's *National Post* described our guest today as "London's Mayor of Money." He is the 672nd Lord Mayor in an office that dates back 900 years. His role is to promote the City of London internationally. And just to be clear, our guest today is not to be confused with the Mayor of London. I must admit when I told people that the Lord Mayor of London was coming to speak to the Empire Club, a club with a reputation for its conservative and traditional approach, I got these rather shocked looks in return with comments like, "Red Ken is speaking to the Empire Club?" So for those of you who are expecting wild rhetoric and crazy antics from our luncheon speaker, this isn't him.

Our guest, the Lord Mayor of London, "beats the drum for the square mile" as he says. Travelling the world, he works to attract investment to the City of London. He is elected by members of the City livery companies—trade associations that date back as early as the 12th century—for a one-year term that ends in November. This year he's already visited South Africa, Greece, Hungary, Korea, the United States and several countries in South America.

His headquarters is Mansion House in the heart of London where his staff have titles such as Swordbearer and Common Crier. Mayor McCallion, you may want to borrow some of these titles for your next council meeting or meeting with the provincial government!

Alderman Clive Martin was born and educated in London. He completed National Service in the Royal Engineers (Survey), was commissioned and appointed OBE. In 1985 he was elected as Alderman to the City of London. He continues today as Chairman of MPG, a graphics communications business. He has also served as Vice-Chair of the City of London Magistrates Court and Sherriff. In fact, when I reviewed his background there appears to be very little that Alderman Martin hasn't done.

Ladies and gentlemen, please welcome The Right Honourable the Lord Mayor of London, Alderman Clive Martin to The Empire Club of Canada.

Clive Martin

Chairman, ladies and gentlemen, it's great to be in Toronto. Thanks for your very warm welcome. And Chairman, thank you for your invitation to address you today.

I am here as an ambassador for the City of London, Europe's financial capital and the hub of Europe's capital markets. In this capacity I travel widely. Over the last year I have been to some 30 countries, including most of Central and Eastern Europe, Southern Africa, India and the Pacific Rim and the Middle East.

My post should not be confused with that of the Mayor of London who is responsible for the strategic government of Greater London—such things as capital-wide transport, economic development, the environment of London, strategic planning issues and police, fire and civil-defence services.

The City of London today is both a global financial centre as well as the heart of the European financial system. Forty per cent of its work force now work for overseas firms and the amount of business that is done in sterling is small compared to that in the dollar, the yen and the euro. The City's role depends on providing advice, making markets and supplying financial services in foreign currencies, like the dollar and the euro.

It is therefore a much larger and more comprehensive financial centre than purely the U.K.'s own financial services industry. So, for the City of London, Economic and Monetary Union within Europe at the beginning of last year was a major event. And as you know, the U.K. decided not to participate in EMU at the outset. But, although the U.K. is 'out,' the City of London is effectively 'in' and London rapidly became the largest centre for the euro markets and for euro-denominated instruments. In London today you can trade, make payments and settle euro just like dollars.

There are 481 overseas banks resident in the City. This includes the welcome presence of seven Canadian banks who play a full part in our business life.

The presence of the largest firms from North America, Continental Europe and Japan gives the City great expertise and so, unsurprisingly, it is playing a key role in the evolution of the euro currency by strongly influencing the qualitative changes to financial services and capital markets in Europe that are now taking place.

Firstly in the integration of the financial infrastructure. This is the electronic structure, such as the payment systems, clearing and settlement, that make it work efficiently.

Secondly, in the markets themselves where trading in corporate bonds and equities is developing rapidly. Already the European corporate bond market is the same size as the dollar one and over 70 per cent of the trading takes place in London. London is also the largest centre for cross-border equity trading. Bonds and equities are now becoming an increasingly important part of the raising of industrial capital in Europe.

And thirdly we are seeing consolidations in the banking sector—large firms merging or being taken over. These are mostly domestic at the moment, but there have been some cross-border ones, such as HSBC's acquisition of the French bank CCF.

The effect of all this is going to be the provision of more efficient and more sophisticated financial services in Europe and an increasing demand for fund management. And it has been estimated that the total global funds available for investment amount to a staggering $51,000 billion.

Many of you here will have been reading about the trials and tribulations of the London Stock Exchange over a hostile takeover bid from a Swedish company and the failed merger with the Frankfurt Exchange. So I thought that I would conclude with a few words about the future of exchanges—a subject which has implications for everyone, not just Europeans.

Europe today has a large number of exchanges, both equity and derivative, some of which are small national monopolies.

New, nimble, on-line systems are now making an appearance in Europe—and in North America. These are designed to compete with the established stock, bond and derivative exchanges and consequently they add to the fragmentation of trading.

Further down the line, technology marches on. It is inevitable that all products, including complex OTC contracts, will eventually go on-line.

This state of affairs has spawned moves by the established exchanges to reduce costs by consolidation, as well as by merging clearing and settlement systems. Some people have estimated that a pan-European settlement system could reduce transaction costs by 80 to 90 per cent.

It is early days though and it is the failures, such as the iX link up between London and Frankfurt that have hit the headlines.

But things are really not nearly as bad as they give the impression of being. London is a large and sophisticated international wholesale centre and it looks at the whole European market through international eyes.

It is also benefiting from four crucial advantages that it has over its competitors.

The first of these is London's size, its expertise and its liquidity. It is the largest centre for overseas banks with 19 per cent of the world market for cross-border lending.

Secondly it has the only fully unified regulatory system in the world. The Financial Services Authority has a totally one-stop-shop operation. It is completely international, balanced and pragmatic in its approach to the marketplace. It is well ahead of anything else in Europe in its management of the growing complexity of risk.

Thirdly, because of its resident expertise, London has been able to take full advantage of the frightening pace of technology. And this advanced technology is now beginning to reduce the need to consolidate exchanges. Instead, the way ahead is being driven by the utilisation of advanced technological systems. They are the ones that will attract business. And they are the systems that will draw liquidity. And I believe that you have to earn liquidity these days. These new systems enable you to trade, both remotely and internationally, through screens. Business has quicker access to the exchange and pre-trade risk management systems that enable orders to be vetted automatically before being submitted to the market. Electronic trading also provides a clearer audit trail within the market and better access to it.

And lastly, London has an advantage over its continental rivals in that it has an independent clearing house; one not part of any exchanges like they are in Frankfurt and Paris. The central counter party provided by the clearing house allows the netting of the various trades, be they equities, bonds or derivatives. This permits great reductions in risk and huge cost savings.

The London Clearing House already provides a central counterparty for the derivatives exchanges in London. The London Stock Exchange, Crest the settlement system, and the London Clearing House will introduce one for equities in February 2001.

No other centre has these four advantages. They give London a considerable competitive advantage that reinforces its position as the financial capital of Europe and the bridge into Europe for companies wishing to trade there.

Of course there is a long way to go, and it will take great skill and judgement to handle the new technology. At the same time risk has to be managed and a proper regulation of the new marketplace put in place.

Thank you, Chairman, for the opportunity to talk to you today. I am very much enjoying being in Toronto and I really love Toronto's moosescape. I haven't managed to hug one yet, but I am sure I will.

Thank you.

The appreciation of the meeting was expressed by John S. Smith, Senior Manager, Private Banking, The Royal Bank of Canada, Freeman of the City of London and Immediate Past President, British Canadian Chamber of Trade and Commerce.

The Rt. Hon. The Lord Mayor of the City of London, Alderman Clive Martin, OBE, TD, DL and John S. Smith, Senior Manager, Private Banking, The Royal Bank of Canada, Freeman of the City of London and Immediate Past President, British Canadian Chamber of Trade and Commerce.

November 2, 2000

Dr. James Shapiro

Hunterian Professor of Surgery, Director and Head, Clinical Islet Transplant Program, University of Alberta

ISLET TRANSPLANT—TOWARDS A CURE FOR DIABETES

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Heather C. Devine, Associate in Litigation, Fasken Martineau Dumoulin LLP and Director, The Empire Club of Canada; Reverend Kim Beard, Christ Church, Brampton; Justin Van Leeuwen, Senior Student, Editor of the Yearbook, Parkdale Collegiate Institute; Jim O'Brien, CEO, Canadian Diabetes Association; Lillian Morgenthau, President, Canadian Association of Retired Persons (CARP); Ann Curran, Director, Corporate Development International and Second Vice-President, The Empire Club of Canada; Michael Fleming, Director, Health Care Policy and Strategic Relations, SmithKline Beecham Pharma; Ronald F. Forbes, President and CEO, Juvenile Diabetes Foundation; and Geoffrey C. Mitchinson, Vice-President, Public Affairs, Glaxo Wellcome Inc.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, Dr. James Shapiro.

Last May, Dr. Shapiro and his team of researchers at the University of Alberta made an amazing discovery. He and his team had successfully transplanted human pancreatic cells or islet cells into seven people living with severe diabetes. These seven Canadians with chronic or type 1 diabetes are now living free of dependence on insulin injections.

Thanks to the work of Dr. Shapiro and his team, diabetics may soon no longer require daily insulin injections. His research and discovery were so amazing that in July U.S. President Bill Clinton praised the team and announced that its research would be replicated at nine other health-science centres.

Dr. Shapiro's discovery could be the breakthrough in diabetes, a disease that has effects and impact so far reaching.

For example:

- Over two million Canadians live with the disease.
- Heart disease is two to four times more common in people with diabetes than without.
- Diabetes is a leading cause of adult blindness.
- In Canada, people with diabetes account for 28 per cent of all new cases of serious kidney disease.
- Worldwide, half or more of all non-traumatic limb amputations are due to diabetes.
- The number of people with diabetes in an unhealthy weight range or living with obesity is double the number found in the population without the disease.

Dr. Shapiro is the Director of the Clinical Islet Transplant Program at the University of Alberta. And his interest in islet transplantation goes back to when he was a medical student.

Born in Leeds, England, he gained his medical training at the University of Newcastle-Upon-Tyne and further trained in surgery at the University of Bristol. He has received many outstanding awards based on his experimental studies including the much-admired Hunterian medal from the Royal College of Surgeons in England and the gold medal in surgery from the Royal College of Physicians and Surgeons in Canada.

He has led the Clinical Islet Transplant Program at the University of Alberta since 1997. He is also published in several journals such as the prestigious *New England Journal of Medicine*, *Transplant International* and *The British Journal of Surgery*.

It is an honour to have one of Canada's pre-eminent researchers with us here today. It makes me hopeful that I may one day soon be able to look back and say: "I met the man who cracked the riddle of diabetes."

Ladies and gentlemen, please welcome Dr. James Shapiro to The Empire Club of Canada.

James Shapiro

Catherine, those were very generous words and what a true honour it is to be able to join you today at the Empire Club.

The Edmonton protocol towards a cure for diabetes. You know where Edmonton is and you know why we love working there as researchers. It is not hard to see that in the winter months we would rather focus our efforts in the laboratory than wander outside. We enjoy being there and focusing on research. We have a terrific team.

There are very strong research links with diabetes that go back a long time. Banting and Best's discovery in 1921–1922 revolutionised the course of diabetes, but it was a biochemist from the University of Alberta, James Bertram Collip, who contributed very greatly to that with his use of alcohol to extract insulin from the pancreas and allow the blood sugar to fall for the very first time in a 14-year-old boy.

The discovery of insulin truly was a remarkable discovery and it prevented acute and sudden death in patients with diabetes. What it did do though was convert this condition into being the chronic and the incurable illness that it is today. We know that many patients will end up with severe end-stage complications of the disease. Diabetes in the U.S., the world and Canada now affects 6 per cent of the population, is the third-commonest disease and the fourth-leading cause of death. The incidence is rising across all age groups. If we take type I and type II diabetes together, there are 130 million patients with this disease in the world. The incidence is going to rise in the next 25 years to 300 million. Right now in the world there is a new case diagnosed every three minutes. Half of these individuals will develop kidney failure.

Diabetes is a huge cost to our Canadian society, to our health-care system and to the world health-care systems. In Canada we spend about $5 billion per year managing the complications of diabetes. In the United States they spend $44 billion per year; $98 billion in total if you add up all the management of the secondary complications. It is a huge cost to our society.

Do we have any better way of controlling diabetes than with standard insulin injection treatment? We have a number of choices in this wonderful new millennium. We can give standard injected insulin treatment. We can give it more frequently in a so-called intensive regime. We can implant a little pump or have a patient wear a pump on the outside, that will deliver insulin not perfectly but it may improve control. In very select individuals we can carry out a whole pancreas and kidney transplant procedure. This is a big invasive operation that takes about six hours to complete and is potentially fraught with complications and is not right for everybody with diabetes.

The idea of taking 1 to 2 per cent of cells inside the pancreas gland and transplanting them instead to treat this condition is a remarkable idea but it has been around a long time. We can't take credit for that. The first transplant occurred 107 years ago in Bristol, England when a 13-year-old boy came into hospital with diabetes. That was 27 years before the discovery of insulin. He received a transplant. Not a transplant from a human donor like we use today but a transplant from a sheep's pancreas. That was 50 years before the discovery of the way the immune system works and was destined to fail. But at least the idea and the concept were there.

What is an islet? That is an islet in the middle of the screen there. It's a multi-cellular structure; a little ball that you can just about see with your naked eye if you strain it. It's less than 0.1 millimetre in diameter. You can just see it as a tiny speck. In the middle of that speck it's a bit like a chocolate. In the centre of the ball are the cells that make insulin responding from moment to moment to our needs. For example if we have just eaten a nice meal, those cells will respond and make more insulin to try to keep our glucose, our blood sugar, in perfect control. They switch off too if they are making too much. The cells on the outside also help regulate insulin production. Under the microscope there, you can actually see some of these cells releasing insulin. They all work together in a similar way to instruments in an orchestra.

An author and a mother wrote to me recently: “I didn’t know anything about diabetes. I thought my daughter could just take insulin and everything would be fine. I was so wrong. In her senior years of college the blood vessels in her eyes started to rupture. At 22 she had lost every bit of sight. At 28 her kidneys failed and at 35 an infection in her leg led to an amputation and at the age of 40 she died in her sleep from a heart attack.”

These are the complications of diabetes that we need to control, reverse and prevent by carrying out this transplant. I mentioned to you that the idea of doing the islet transplant procedure is not that new. In fact if we look back over the last 25 years, there have been 447 attempts in patients, but only 10 per cent or fewer of those patients were able to come off insulin for prolonged periods of time. Scientists in research laboratories working in this area were becoming dismayed with no new contributions coming out of those laboratories during the last five years or so.

We thought we should make one last attempt to see if we could make this treatment work? We stood back and asked ourselves: “Why were the transplants not working?” There was so much success in other fields of transplantation. When we did a heart transplant or a liver or a kidney transplant we expected 90 per cent of those grafts to work perfectly.” In our situation fewer than one in 10 were working. We asked the question: “Why?” I think the answer really came to us in the drugs we were giving to prevent rejection because the high doses of steroids and the cyclosporin drug we were giving to stop rejection can actually cause diabetes in patients who don’t normally get diabetes. We asked ourselves: "Are there some newer drugs available we could use that would not cause diabetes but would be just as good or even better at stopping rejection?

This is a very exciting time to be working in research; a fantastic time to be working in transplantation because there are many new advances in drug treatments. There has been an exponential increase in the number of new drug treatments available to us in the last five years or so and three drugs really stand out—Sirolimus, Taccrolimus and an antibody. We felt we could use them together. The names don't matter but the way they work really does. The Sirolimus or Rapamycin is very much a Canadian discovery. It was discovered by a doctor who was working in Montreal and he discovered it in soil samples taken from Easter Island or Rapanui. That is how it got its first name—Rapamycin. We wanted to use it together with a couple of other agents so we would have a three-pronged attack on the immune system to stop the immune system from being activated and stop the immune system from seeing these cells as foreign.

There's another force that could act in the body of a patient with diabetes to destroy these cells—the autoimmune process, the very process that destroyed the cells in the first place. We were trying to put all this together with extensive work in the laboratory over several years and we had no idea whether the solutions we would come up with would really work. We wanted to make sure we'd put enough cells in for transplant. We wanted to use the right drugs and we wanted to make sure we provided maximum protection against the autoimmune and alloimmune forces. We put all this together as a puzzle and called it the Edmonton protocol. This really summarises it: using only the three drugs, no steroids; making sure those islet cells were of very high quality; transplanting immediately; using no foreign proteins that could be damaging; and being prepared to put in enough cells to be sure that there was enough insulin that could be produced.

At the same time advances in anti-rejection treatments were occurring in the laboratory. There were also tremendous collaborative advances in the way we prepared the cells in the laboratory using an enzyme called liberase or a collagen enzyme that helped digest the pancreas so that we could extract just these cells that make insulin.

I'm just going to slowly walk you through this process. Here's Dr. Lakey working in the laboratory; it's about two o'clock in morning. This pancreas has been flown to us from Halifax in Canada. We are very fortunate because we receive organs from right across the country. That is a human pancreas taken from the same organ donor who would give a heart, lungs, livers or kidneys for transplant. We put a little tube inside the duct inside the pancreas and we pump in that white powdered enzyme, the liberase enzyme. Here is Dr. Lakey working and pumping the enzyme through the pancreas. At this stage, it looks more like an omelet than anything else. We then take the omelet and chop it up into scrambled egg. We then put the scrambled egg into a cooking pot or a recording chamber. Here is Dr. Lakey now at about three o'clock in the morning shaking the chamber, shaking those cells loose from inside the pancreas. We look under the microscope, we see when the cells are free, and at the moment they're free we cool the system down. We dilute it and at that point we have tissue with the islets in the middle there—that little red dot—which is what we really want to be transplanting into our patients. We don't really want to transplant the rest of it—the parts of the pancreas that would help us normally digest. Fortunately for us the little red dot in the middle is a little bit lighter than the rest of the tissue so when we put it in a centrifuge we can actually purify it very quickly. This is the centrifuge system that we use. That bit of the process is completed in about 10 minutes. Thus we have a preparation of tissue in the bottle there on the left which is too impure to transplant into a patient. We purify it and then at the end of the process we have a teaspoonful of tissue or less—less than five ccs. It is totally pure and ready to infuse into a patient. You can see under the microscope the little red dots which are the islets of Langerhans. Alongside these is actually a needle, an insulin needle, seen under the microscope magnified. The cells are pure and ready for a transplant.

We bring the patient into hospital but we don't use the operating room. The procedure is done in the X-ray department. The patient is awake. Expert radiologist colleagues place a very fine needle in through his or her side through the liver and seek out a vein called the portal vein. There they thread a little tube down the vein so that they can then inject the cells. Here is a picture of the vein going up to the liver. When they inject the cells this is exactly where they are going to go. They will go to both sides of the liver and at that point the liver will take over the functions of the pancreas.

The injection procedure itself is incredibly simple. All we do is connect up the syringe and inject. The injection process takes about five to 10 minutes. The patient is completely awake as we do it and at the end of the procedure we just pull out the tube and the patient goes back to the ward. It is such a simple procedure in fact that the patients don't need to go to the intensive care unit or to be a long time in the hospital afterwards. It's a day case procedure with more than three-quarters of our patients sent home within 24 hours of the procedure. Here is one of our patients, a lawyer from downtown Edmonton, back in his office within 12 hours of his transplant.

Our data was originally presented in *The New England Journal of Medicine* back in July. Our first patient was a teacher working in Yellowknife. He had such severe diabetes that he was in constant coma or near-constant coma from severe reactions. The transplant fixed him. It fixed the next four patients and now we are up to 14 patients. The last patient was transplanted a couple of nights ago before I left to come here. All of these patients are doing very well and as you can see from this picture they don't have the swollen faces we would normally associate with patients who have had steroid treatment after a transplant. These patients are not given a drop of steroid because the other drugs are so powerful. They tolerate the anti-rejection drug treatments very well indeed.

Now to follow-up on the 14 patients. The first patient was treated 20 months ago and the average time following treatment in the first seven is now 18 months. All of these patients had very brittle diabetes meaning that they could fall into a coma very easily. The risk of coma truly interfered with their quality of life and was a danger to themselves and other people around them. If these individuals were driving a car they could fall into a reaction without realising it and put themselves and other people in danger. The transplant completely fixed that and led to a dramatic improvement not only in diabetes control but all those dangerous comas were avoided so their quality of life increased dramatically. We've had sustained insulin independence now up to 20 months. Two of the 12 have what we call borderline type II, where they need insulin for very short periods of time. The rest of the patients are doing extremely well and have very stable control. These two patients I think will do well but they need an additional boost possibly with some drug treatment or maybe with some more islets to improve their overall function, but we haven't lost any function in these grafts as far as we can tell.

This is an important image. It shows you the kind of control that a patient has on insulin treatment across the 24-hour period of a day. This is averaged over a month and you can see tremendous variation in the control. This is the best that somebody can do with injected insulin treatment. When we stop the insulin injections and do the islet transplant this is the kind of control that a patient would have. The highs completely disappear, the lows completely disappear, and it's this kind of control that in the long run I truly believe will stop and even perhaps reverse some of those devastating complications of the disease that we mentioned.

The insulin requirements fall dramatically. We do a first transplant and then we do a second or double-donor transplant. The insulin requirements then fall to zero. A marker of how good the control is in the blood over time is completely normalised a year after transplant. We haven't seen any rejection and we haven't seen any of the autoimmune process come back so far. We think that the drugs are very effectively controlling that.

We put a little needle into the side of one of the patients and took a biopsy. This is a biopsy taken inside the liver, and here you can see inside the liver. Here is the islet sitting very happily, functioning without any inflammation. It is very stable. If we stain for insulin in that little piece of tissue, here is the insulin being made by those cells inside the liver. They function very nicely in that environment.

Where have we reached? Is this a cure for diabetes for everybody? I would say definitely not right now. We have reached a point where this is a major step forward but it is not the total cure for all. How do we get there? I think what we have to do now is reproduce what we've done in Edmonton in a multi-centre international trial. And then we want to move forward and have success with a single donor instead of the double-donor transplants we've had to perform thus far. Thirdly, I think we need to get to a point where we don't have to give such powerful anti-rejection treatments in order for the cells to survive. These drug treatments have some potential risks. There is a very small but potential risk of inducing a cancer or increasing the risk of infection. We want to avoid those risks so that we can broaden the indications to treat everybody with diabetes who could benefit. If we're to do that we would need an additional source of cells so that we have enough to go around for everybody—the type Is, the type IIs, all those 130 million patients worldwide. And that truly is a major challenge that needs major research to get there.

The multi-centre trial which we are heading from Edmonton is moving ahead very rapidly now. We've just had approval through the FTA in the United States. We will be completing 40 transplants within the next 12 months or so in 10 centres across the world. This is what President Clinton said: "If we can reproduce these preliminary findings it could put a cure for diabetes within our reach. That would be a true miracle." We are moving ahead. Six centres in the United States, ourselves in Canada and three centres in Europe—Switzerland, Italy and Germany—will be partners in this trial.

We want to have success too with just one donor instead of the two donors that we use now. To do this now we are giving about 10,000 of these cells per kilogram based on the weight of the recipient. We need to shift this curve so that we have more success with just one donor. There are very many exciting strategies that we will be testing in the very near future. This is why it is such a wonderful area to be working in.

These are the drugs that a patient has to take to prevent rejection right now. A handful of drugs. Again we want to get to the point where we don't have to give those drugs in the long term and can therefore avoid the risks. We want to get to the point where the graft is completely stable and we don't need the drugs. I think then, and only then, can we broaden this to include children.

I mentioned to you that there's a risk of getting a cancer with the drug treatments. One of the cancers that can occur is called a lymphoma. We think that the drugs that we give right now could have a risk of around 1 per cent.

We know that a patient who has diabetes is not without risk but we have to balance the risk of the diabetes against the risk of these treatments, We have to be sure we do no harm in every individual we consider for transplant. I think with tolerance research treatments we should be able to diminish that risk. Once we get to this stage, whether it is 0.1 per cent or 0.01 per cent, then, and only then, can we broaden the indications. In the near future we can trick the immune system so it won't recognise these cells as being foreign. Tolerance research is going to involve blocking antibodies that interfere with the way these two cells stick together.

Finally we need enough islets to treat everybody. The Pope tried to come and help us at the Transplantation Society meeting in Rome a few months ago. He tried to encourage organ donation. Organ donation is obviously the first step and we are very grateful to the donor families that have agreed to provide organs right across Canada to help us in this project as well as helping many patients who have had liver, kidney, heart and lung transplants.

We know there's never going to be enough organ donors for everybody. We need new sources of cells and I think the most exciting and promising area is going to be in stem cells where cells in our bodies can be turned into new islets. All we need are the ways to coax and trick them and there's very promising research to show that in very select situations these cells can make insulin, can respond appropriately to their environment and perhaps eventually will get to a point where they can replace the need for organ donors. And there are other potential treatments or options too including tissue engineering that will allow us to get there.

We can now say that islet transplant for diabetes clearly works. We've gone from a previous very poor success rate of 8 per cent to around 100 per cent. We haven't had any rejection and we haven't had any recurrence of the autoimmune process. We have provided long-term freedom from insulin to 20 months with excellent sugar control and we've provided this at extremely low risk. This is what one of our patients said about this. "My life has totally changed. Gone is the need to test my blood endlessly. Gone is the need to mentally calculate the nutritional content of every snack. Most of all, gone is the fear of an incapacitating insulin reaction, the kind of reaction that my wife was involved in when she died in a car accident two years ago."

This is the challenge we are faced with now. I get about 100 e-mails a day: "How can I get on the list for an islet transplant procedure?" Clearly we have no immediate solutions for that. We are working hard on organ donation and we are working hard on research. Damage from diabetes doesn't happen in a day. We still have time and we still have hope to stamp out this disease. How are we going to get there faster? We need urgent funding to do that and we need very strong collaborations so we can get the job done.

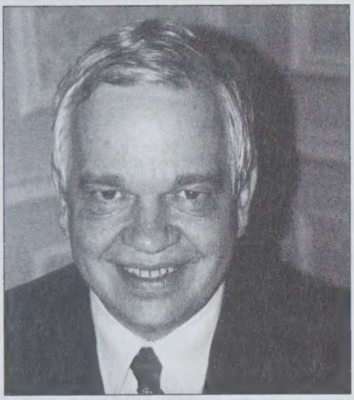
This is our ultimate goal. Here is Samuel, a child, a French child, in France. His mother wrote to me: "How can he have an islet transplant?" He's just been diagnosed with diabetes. We want to be able to offer this treatment to him as a cure at the time he's diagnosed. We are not there yet and we need those challenges solved before we can get there.

I come from a tremendous team in Edmonton at the University of Alberta. Dr. Jonathan Lakey heads up the islet preparation laboratory. Dr. Eddie Ryan is the medical co-director who helps us select our patients and helps us follow them. Dr. Greg Corbett is a scientist with a group who makes sure the cells are safe to transplant in the patients. We have many nurse co-ordinators, collaborators in the hospitals, and transplant surgeons, with whom we work not only in Alberta but right across the country. They provide us top-quality organs for transplant. Finally I have to truly acknowledge the real transplant surgeons in this endeavour—the radiologists, the X-ray doctors, who are passing those needles in. They've taken over our role completely. And we're glad of that. That's how I can come here today while they carry on and do the transplants. We have a wonderful team.

Thank you for your attention.

The appreciation of the meeting was expressed by Ann Curran, Director, Corporate Development International and Second Vice-President, The Empire Club of Canada.

Dr. James Shapiro, Hunterian Professor of Surgery and Director and Head, Clinical Islet Transplant Program, University of Alberta and Jim O'Brien, CEO, Canadian Diabetes Association.



November 9, 2000

John McCallum

Liberal Candidate, Markham

THE CANADIAN ECONOMY: SUCCESSES AND CHALLENGES

Chairman: **John A. Campion**
Past President, The Empire Club of Canada

Head Table Guests

George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada; Rahim Madhavji, OAC Student, Marc Garneau Collegiate Institute and Volunteer, East York General Hospital; Wendy Kelley, Vice-President and Associate General Counsel, BMO Nesbitt Burns; Bluma Appel, C.M., O.Ont., Chair, Canadian Foundation for AIDS Research (CANFAR); Stephen LeDrew, President, Liberal Party of Canada and Senior Partner, LeDrew Laishley and Reed; Gregory P. King, Senior Partner, Gowling LaFleur Henderson; George D. Anderson, President and CEO, Insurance Council of Canada and Director, The Empire Club of Canada; Reverend Prue Chambers, Rector, Church of St. Nicholas, Birchcliffe; Clare Cowan, Chair and CEO, Goldcare Industries Inc.; David Crane, Economics Editor, *The Toronto Star*; and Martha Durdin, Managing Director, Marketing Communications and Planning, BMO Nesbitt Burns.

John McCallum

When I was first asked to address this audience today, my designated topic was "The Canadian Economy—Successes and Challenges." Although my personal situation is now dramatically different from what it was when the invitation was tendered, I nevertheless warm to the original assignment. It provides an excellent opportunity to explain to my many friends and colleagues in the business community why I have determined to abandon my office on Bay Street and throw all my energy into seeking the confidence of the people of Markham as a candidate for the Liberal party of Canada in this critically important general election campaign. I am especially pleased to be running in Markham—Canada's high-tech capital and the epicentre of our new economy.

At the outset, let me assure you that I not only believe profoundly in what I am doing, I am also having the time of my life.

For the many of you who spend your days in the rarified atmosphere of our downtown office towers, let me give you a little flavour of what life is really like out 'on the hustings.'

The thing about campaigning is that you have to look the part—and the part is not always the same from one hour to the next. That means you sometimes have to change clothes quite a few times in a single day. The problem is that you don't always have a suitable place to change. On day one of my campaign I had to transform my appearance from casual to formal, and the only place to do it was in the car in the privacy of a parking lot. I got into the front seat to begin the operation but, unfortunately, there was another man sitting in the driver's seat of the car right beside me. I kind of smiled at him, hoping he would be backing his car out quickly, and he kind of looked at me. And he kept looking. He probably thought I was a bit weird. But he eventually left and I made it in sartorially appropriate fashion and on time to my next campaign event.

By day three, I was feeling quite experienced and confident that I could handle anything. Then, in the middle of Loblaw's parking lot, I had one of the truly unforgettable encounters of the campaign to date. One of the good citizens of Markham began to harangue me in some of the most colourful and unrepeatable language that one could imagine. The gist of the fellow's comments was that he didn't much like Liberals and that he liked this bank-economist-turned-Liberal candidate even less. With a *Toronto Star* reporter and photographer in tow, I marked the voter down as 'undecided' and continued on my way. I think the media presence during this scene was a plus, if only to engender public sympathy for a neophyte politician.

As you can appreciate, this sort of life is a radical departure for me. For what is now 50 years, I had always refused to align myself with any of our political parties. Like most of you, I have enjoyed a perspective that is somewhat removed from the real arena.

While retaining my political virginity, I had nevertheless developed a more or less settled view over the years on where I stand in political terms and on the sort of Canada I believe in. Like many of you, I suspect, I am a moderate conservative on fiscal matters, a liberal on social matters and a federalist on constitutional matters. I believe our ability to sustain and enhance our social safety net is, and must be, pre-conditioned by the strength of our economy and our ability to pay for it. I also believe we need a national government with the fiscal and constitutional muscle to implement national economic and social policy geared to benefiting all Canadians.

I am confident that the marketplace is the best arbiter of economic value in our society. But I also believe that there are important Canadian values, essentially human values, which the marketplace will not and cannot satisfy for all Canadians. I am thinking of our broader community concerns for quality health care and education from cradle to grave. These are the cornerstones of hope and humanity for our community. Today, a healthy, highly educated populace is increasingly an essential element of a competitive economy. I believe that government must step into the picture to ensure equal protection and opportunity for all. I am also thinking of our underlying environmental assets—our precious air, water, forests and wildlife. If we are to preserve them, the powerful natural drives of capitalism and private interest must be constrained for the general welfare.

While I do believe that our very best instrument of social policy is a paying job, we also share a responsibility in our Canadian community to lend a helping hand to the least fortunate of our fellow citizens. Their citizenship should entitle them to the basic necessities of a decent human life—food, shelter and clothing. Our history and our vision call us to provide for those who are unable to provide for themselves. It is not just a matter of personal charity. It is a matter of the collective duty of any society that seeks to offer itself as a model for the world.

So these are the biases I bring from my private life into my public life. Certainly, I believe in fiscal responsibility. We must strive to keep our public finances in order as the over-arching framework of our national economic policy. We must put policies in place that will encourage individuals and corporations to work their wealth-creating magic in the marketplace. Finally, we must balance the creative drivers of our economy with measures that promote the general welfare and advancement of all our fellow citizens. Call it finding the balance. Call it managing the productive tension between private interests and the public interest. Call it what you will. That is the Canadian way.

My remarks today will be focused on three broad themes:

1. The economic record of the current Liberal government and why it deserves to be supported. You will forgive me if I refer to this as the 'successes' part of my address;
2. The economic policy alternatives offered by the Canadian Alliance party and why I believe they must be soundly rejected. This comes in the part of my remarks that I have euphemistically labelled 'challenges'; and
3. The broader reasons why I have offered myself as a candidate in this election on behalf of the Liberal party of Canada. This is the part of my remarks that I want to address to the Canadian business community generally.

Successes: The Liberal Economic Record (1993–2000)

Let's start by taking a close and hard look at the Liberal economic record.

John Chretien was first elected Prime Minister and Paul Martin was first appointed Finance Minister in 1993. From where we sit today, it is sometimes easy to forget the fiscal mess that they inherited. But let me take a moment to remind you. The federal deficit that the Liberals inherited from the Conservatives was running at about $42 billion annually. The accumulated total federal debt was over $500 billion, giving Canada the ignoble distinction of having a higher total debt-to-GDP ratio than any other G7 country except Italy. At the time, almost 33 per cent of every federal tax dollar was going to service the interest payments on the debt. The possibility of tax reductions, much less new programme spending, was simply not on. From a fiscal perspective, Canada had already mortgaged the farm and everything else including the kitchen sink just to pay its bills. To make matters worse, unemployment was 11.4 per cent, with over 1.6 million Canadians out of work.

And this tough situation was reflected in how global economic markets viewed us at the time. In 1993, Canada was suffering from real long-term interest rates (the differential between absolute interest rates and inflation) of about 5 per cent, almost 2.5 per cent higher than those of our neighbour to the south. *The Wall Street Journal*, as you will no doubt recall, had begun describing Canada as being "on its way to third-world status."

How then should we measure the economic policy that the Liberals have pursued since 1993? What sort of report card should we issue? Objectivity and fairness demand that we apply the same tests that we have always used to measure the economic performance of our governments.

Since 1993, the Canadian unemployment rate has fallen from 11.4 per cent to 6.9 per cent, with the number of unemployed falling by more than 500,000. The economy has created a total of over 2,000,000 net new jobs since 1993, resulting in an increase in total employment since 1993 of 16.5 per cent.

Since 1993, the federal deficit of $42 billion annually has been converted into a projected surplus of more than $12 billion annually for the fiscal year 2000/2001 or a total improvement in the nation's annual bottom line of about $54 billion annually. These resources can now be allocated to tax reduction, debt reduction and critical new programme spending.

Since 1993, the Canadian economy has grown by almost 30 per cent. Over the period, our rate of GDP growth has exceeded that of every other G7 country except the United States. We were a very close second. Note too that this expansion has been achieved against a backdrop where Canadian government spending has represented a steadily shrinking proportion of our total economy. As a percentage of GDP, federal government spending in Canada has fallen from 21.8 per cent in

1993/94 to 15.6 per cent in the current fiscal year. Programme spending was 16.6 per cent of GDP in 1993–94 and is 11.7 per cent of GDP this year.

And we have achieved this level of growth without spurring another round of growth-eroding high inflation. Inflation has been well within the target band of 1 per cent to 3 per cent annually.

Total public debt in Canada has also fallen from 70.1 per cent of GDP in 1993/94 to less than 54 per cent of GDP over the same period. We should be able to achieve a debt-to-GDP ratio of less than 50 per cent within the next two years just by balancing the books.

Our international balance of payments has improved dramatically too. Thanks to our booming performance as a trading nation, our annualised merchandise trade surplus has risen from $14 billion in 1993 to almost $50 billion. Over the same period, we have moved from a current account deficit of $24 billion in 1993 to a surplus of about $14 billion. The improvement in the situation of our international accounts is almost as remarkable as our fiscal reversal.

All of this enables us to respond to *The Wall Street Journal* today with a clear answer: "Some third-world country!"

By any measure, the economic report card for this government can only be fairly described as excellent. I would ask you to judge it for yourself.

But, you might say, what about the Canadian dollar, which now stands at around 65 U.S. cents? You may be surprised to hear that the Canadian dollar is now the second-strongest currency in the world. Year to date we have lost 6 per cent against the U.S. dollar, but the Japanese yen has lost 7 per cent, the Swiss franc and the pound have lost 10 per cent, the euro has lost 14 per cent, and Australia and New Zealand have lost respectively 20 per cent and 23 per cent. To any objective observer, the story is overwhelmingly one of U.S.-dollar strength rather than Canadian dollar weakness.

As we enter the 21st century, Canada has finally got its fundamentals right. We have put in place the over-arching framework that, with proper continuing stewardship, will permit us not only to meet the challenges of an increasingly competitive and globalised marketplace but also to resume our agenda of building a more civilised and compassionate society.

This state of affairs has not been accomplished without pain. In addressing first things first, the Government of Canada has had to ask Canadians to bear a higher interim tax burden and reduced support for our social safety net. You cannot bring a nation back from the brink of bankruptcy without tough restructuring medicine. Canadians have understood that and supported that by electing and re-electing a fiscally responsible government.

I hope you can now understand why Stockwell Day is reaching back 20 years to attack the Liberal economic record. The fact is that the record that Canadians have to scrutinise in this election is the record over the past seven years. From any objective or fair-minded perspective, the performance simply does not support the case that Mr. Day has to make. The so-called 'Agenda of Respect' clearly does not respect the facts of the economic record.

I have watched Canadian finance ministers closely for more than 20 years. I have no hesitation in saying that Paul Martin has surely to be regarded as the best finance minister this country has seen over that period. He took the tough decisions, rallied the consensus required to support them, and accomplished in seven short years what has to be regarded as nothing less than a full-blown fiscal revolution—a revolution that has recovered the economic integrity of the nation.

But he also accomplished that revolution because he had the unflagging support of his boss. There is a long list of former Canadian finance ministers who have had the intelligence, integrity and determination to set this country on a sound financial footing. What they lacked was a prime minister who would back them. I credit the Chretien-Martin team immensely for doing what was right for Canada, whether or not it was universally popular.

And I extend that credit to the choices they have made in recent weeks in the allocation of our fiscal surplus, where the focus has been balanced: significant but fair tax cuts for employees, corporations and investors to drive our competitiveness, meaningful debt reduction to strengthen our fiscal capacity, shoring up our health-care system with a much-expanded long-term funding commitment and, lastly, educating our work force for the challenges of the new economy.

Challenges: The New Economy and The Alliance Economic Platform

Against this background of remarkable economic success, I believe there are now two principal challenges that confront Canadians in their pursuit of an even brighter economic future. The first challenge is one of profound change in the very structure of our economy—the so-called 'new economy.'

The second challenge is a threat to the very core of our national ethics and our national vision—a threat to the very existence of the Canada that we and our ancestors have built up over the years. I refer, of course, to the Canadian Alliance.

In my view, everything we have accomplished over the past seven years can be quickly forfeited if we respond inappropriately to these challenges.

The first 'challenge' to our continued economic success is the very item which the Prime Minister and Mr. Martin have now moved to the forefront of our political agenda—exploiting the opportunities of the new economy for the benefit of Canada and Canadians.

It is clear the new economy will be the principal driver of Canadian productivity, competitiveness and growth over the next several years. If we are to meet the challenge in this area, then it is equally clear that we need policies in Canada that will stimulate the sort of investment and human resources development that will provide the underlying infrastructure for entrepreneur-led growth.

For the new economy, the mini-budget and the Liberal platform were right on the money: reduced capital gains and corporate income taxes to encourage capital formation, plus income tax reductions and the elimination of the income tax surtax to encourage our best and brightest to stay in Canada; new money for basic research and a set of targeted policies geared to promoting computer literacy; training and private-sector investment in research and development. With these policies in place there is no reason why Canada cannot capture a disproportionate share of the global explosion in e-commerce and e-business generally.

And these framework or infrastructure policies for the new economy have to be supplemented by specific incentives to stimulate specific investments by our business community. Creative and innovative Canadian entrepreneurs ought not to be compromised in creating wealth because our capital markets happen to be smaller and less mature than those which have fuelled the technological explosion in Silicon Valley and Silicon Alley to the south.

It is easy for Mr. Day to say that he is going to stop so-called “handouts” to business. But it is also incredibly naive. If it had not been for the assistance from the federal government’s technology partnerships programme, IBM would probably not have been persuaded to locate its global lab facilities in Markham rather than in Ireland. Would the Canadian Alliance have kissed goodbye to the hundreds of highly skilled, highly paid jobs and hundreds of millions of spin-off benefits that the IBM investment will bring to Canada and, more specifically, to the riding I hope to represent? Are they so removed from the competitive realities that drive global investment decisions that they would deprive Canadian communities of at least an approximately level playing field? You cannot compete in the global battle for leadership in innovation with baseball caps and brochures. We will need the muscle of all levels of government working together to secure our place in the new economy.

Mr. Day can talk about the brain drain all he likes. All I can say is that something must be draining from his brain if he thinks that investing in small but successful Canadian entrepreneurs and working to attract investment from the global technology gorillas is anti-business. Liberal policy in this area is not about picking winners from losers as the instrument of some corollary social policy. It is about backing and attracting companies, both large and small, which have already proved that their products and services are winners in the marketplace.

And the Liberal approach is not geared to specific companies or regions. There are a series of new initiatives that will benefit Canadian business broadly—policies of general application that our new economy entrepreneurs will be able to take advantage of. I am thinking of the capital gains rollovers for investments in small businesses with up to $50 million in assets, the reduction of capital gains inclusion rate to 50 per cent and the more favourable treatment of stock options. These are concrete measures that will make a vital difference in encouraging investment in new and growing businesses across Canada.

Ladies and gentlemen, the Canadian Alliance does not understand what it is going to take for Canada to win in the new economy. Mr. Day's free market ideological dogma on issues like strategic support for our high tech poses a huge challenge to communities all across Canada, like Markham, where the attitude is one of winning not whining.

Now let me turn to the broader threat posed by the Canadian Alliance. As an economist, what worries me most, and what I want to demonstrate clearly today, is the absolute lack of any semblance of responsibility in Mr. Day's fiscal plan.

I start here because, even if one is an ideological soul mate of Steve Forbes and Stockwell Day, one has to be concerned about an economic agenda that would quickly sacrifice all of the fiscal progress we have made. My objective is to demonstrate that the programme of the Canadian Alliance will either throw this country's books back into the realm of red ink from which we have been so recently rescued or force us to endure so much pain as a nation that the Liberal spending constraints on our social infrastructure over the past seven years will look like child's play.

The devil is in the details but, in broad outline, the story is quite simple. I begin with the projected fiscal surpluses as estimated by a panel of private-sector economists. These surpluses represent the funds available after implementation of the measures in the 2000 Budget as well as the expenditures related to both the recent health-care accord and the unemployment insurance initiative. They do not take into account the tax reduction measures announced in the October mini-budget or the spending commitments detailed in the Liberal platform document.

What the forecasts show is that the planning surplus for 2004–2005, when the tax reduction measures announced in the mini-budget and the spending plans outlined in the Liberal platform will have been fully implemented, is estimated at $7.0 billion. In the succeeding fiscal year (2005–2006), the planning surplus grows to $10.7 billion. The total of the planning surplus over the next four years is $40.7 billion.

Now, let's compare the cost of the measures in the mini-budget and the Liberal platform with the cost of Mr. Day's proposals.

Over the next four years, the tax reduction measures announced in the mini budget will cost $31.9 billion. The total cost of new tax relief and spending measures proposed by the Liberals in the mini-budget and the platform document over the next four years is $39.1 billion. That means that what the Liberals have promised is totally deliverable within the $40.7 billion forecast fiscal capacity of the government without having to eat into the reserves for contingency or economic prudence. Under the Liberals, the remaining forecast planning surplus would be $1.6 billion.

Let's take a detailed look at the annualised cost of the Alliance platform. Here is a summary:

Tax rate and bracket changes	$13.0 billion
Higher basic and spousal exemptions	$6.0 billion
Increased deductions for children	$3.0 billion
Fuel tax initiative	$1.5 billion
Small business rate	$0.5 billion
Registered savings plan deductions	$1.5 billion
Capital gains tax reduction	$0.9 billion
Support for Religious Schools	$0.5 billion
SUB-TOTAL (Tax Promises)	$26.9 billion
Increased Defence Spending	$2.0 billion
SUB-TOTAL (Tax and Spending Promises)	$28.9 billion
Additional Committed Debt Reduction	$3.0 billion
GRAND TOTAL (All Items)	$31.9 billion

According to the Department of Finance, the fully implemented cost of the Alliance proposals in 2004–2005 is $28.9 billion. But we are not quite done yet. The Alliance has also committed itself to legislated debt reduction of no less than $6 billion annually for a total cost to its programme of $34.9 billion annually. Since the Liberals are targeting to reduce the debt by at least $3 billion, this represents an incremental cost to the treasury under the Alliance of $3 billion. So the total incremental cost of the Alliance programme when fully implemented will be almost $32 billion annually. In round numbers, these spending commitments are more than four times the available planning surplus in 2004–2005 and more than three times the planning surplus in 2005–2006. Looked at another way, the cost of the Alliance platform commitments in one year is roughly equal to the cost of the measures announced in our mini-budget over four years. What a remarkable but telling coincidence.

Put simply, my friends, Mr. Day faces a fiscal shortfall of almost $25 billion in 2004/2005. No matter how you look at it, the Alliance platform threatens a whopping big deficit for Canada.

The only way that Mr. Day can get out of this hole and restore any semblance of fiscal balance to the equation is truly massive cuts in the expenditures of the federal government—cuts of a magnitude, I note, that he has not yet dared to talk about in this election.

We learned yesterday that the Alliance intends to release an explanation of the funding of the costs for its platform next Sunday. Is it not convenient that its explanation will not appear until after the leaders' debate?

In eager anticipation of its explanation, let me walk you through the numbers as I, and many other economists who are not politically affiliated, see them.

We start with the required cuts of $25.0 billion annually by 2004–2005. Where will the required cuts come from? The Alliance election platform document identifies certain categories of federal expenditure as "wasteful spending areas." The list of wasteful areas is incomplete, but it includes such items as Heritage (including the CBC), foreign aid, Public Works and the entire

Department of Indian Affairs and Northern Development. This is where the Alliance proposes to target its spending cutbacks. Well do you know what? It won't work.

The projected total cost of all the so-called "wasteful spending areas" in 2004–5 is around $17.4 billion. In fact, the Alliance has stated that the projected cuts from these "wasteful spending areas" will actually be $7.0 billion—a very large cut of some 40 per cent, the implications of which I hasten to add they have not come even close to explaining to Canadians. But even after that, they would still be about $18 billion in the red for 2004/2005.

Even if they reduced spending in these "wasteful areas" to zero, a feat which would be totally impossible given such considerations as the constitutional responsibility to maintain health care on Indian reserves, they would still have a shortfall of almost $8 billion.

With shortfalls of this magnitude, one can only conclude that the Alliance would have to cut deeply into core federal programmes, renege on their tax commitments, put the federal government back into deficit, or some combination of the three.

Mr. Day has sworn to protect programmes for the elderly, transfers to provinces for higher education and health care, statutory equalisation payments, defence and, more recently, unemployment insurance. Ladies and gentlemen, the Canadian Alliance simply cannot find $25 billion in savings from that portion of federal spending that Mr. Day has left "unprotected."

Either the tax- and debt-reduction policies that the Alliance has trumpeted as the cornerstones of its fiscal policy are totally empty promises or Canadians are in for the biggest bait and switch manoeuvre of our political history. Bait them with promises of tax cuts and switch them back to the harsh reality later. Either way, the fiscal programme of Mr. Day is totally lacking in credibility. Does he reject the private-sector economists' forecast? We do not know. Does he quarrel with the estimates of the

Department of Finance? We do not know. Do his plans make appropriate reserves for contingency and economic prudence? We do not know. What we do know is that he is not telling us until Sunday after the debate.

What we also know is that Mr. Day apparently intends to justify his plan by using fiscal 2005/2006 as the comparison year, even though it will be the year following what would be the next government's usual mandate. I have no problem with that and I am even prepared to concede that under the forecast he will have another $3.7 billion to play with in that year. But if that is his strategy, I hope he also remembers that he has already promised Canadians that he will introduce further tax cuts for the wealthy in year five—the full-blown flat tax—that will cost the federal treasury another $4.8 billion. All together that makes the hole he has to fill another billion or so larger in 2005/2006.

To paraphrase another politician speaking in a different context, I would like to say this about the economic platform of the Canadian Alliance: "It's about the numbers, stupid." And Mr. Day's numbers simply do not add up.

I would now like to ask you to feast your eyes on one last chart. It shows federal government spending relative to the total size of the economy, commencing in 1947–48 and projected forward to 2005/2006 according to the private-sector economists. This chart will no doubt stun those of you who may have been poisoned by the propaganda of the right wing press. The size of the federal government today, as a proportion of the total economy, is less today than it has been at any time since 1949–50. Not only that, but the shrinkage from the most recent peak has all occurred since the Liberals took power again in 1993. Not only that, but the private-sector economists project continuing modest shrinkage over the next five years.

Yes, the Liberals are proposing strategic investments in key economic areas like basic research and key social areas like homelessness. I make no apology for that whatsoever. More importantly, the broad picture shows a relative size of government smaller than at any time in the lifetime of most of the people in this room including myself and it is not getting any bigger.

These facts are not celebrated by all Canadians, certainly not by all Liberals. But they are the facts nevertheless. The show how the current government got us out of the fiscal crisis it inherited from the Mulroney Tories. They also put the lie to the Alliance charge that the Liberals are guilty of profligate and wasteful stewardship of our national treasury.

Have the Liberals made mistakes? Sure they have. The HRDC mismanagement is the most obvious example and this is in the process of being rectified. The Prime Minister has admitted these mistakes and there are, no doubt, other areas where the record is less than perfect. But if you focus on the big picture, the conclusion that the Liberals can claim a stellar economic record is, I believe, compelling.

Why should you believe me on these numbers? Am I not tainted because I am running for the Liberals? A legitimate question. Let me give you three answers.

First, whether I am running for office or not, I value my reputation as an economist. The numbers I have given you are fully documented in the handout. I am staking my credibility on the numbers at least being in the right ballpark.

Second, the other day I was honoured and delighted to be the target of a custom-made attack from the Canadian Alliance which, of course, was out to destroy my credibility. My first critic, Mark Mullins, is truly in a class of his own. He has been assigned to do a job for Mr. Day. I respect that. Indeed, I empathise with Mark. Being the official spokesman for nonsense must be a truly lonely job.

The other two quotes came from respected bank economists, Warren Jestin and Rick Egelton. Both said essentially the same thing: that the Alliance programme is aggressive but doable. Well, of course it's doable if you are prepared to cut spending by $25 billion annually. So I have no disagreement with either Warren or Rick, for both of whom I have the highest respect as economists.

Finally, I would ask you to consider a list of reputable, non-aligned economists who agree that my numbers are at least in the right ballpark. Listen to what they have to say about the Alliance programme:

1. Norman Cameron, Professor of Economics, University of Manitoba:

"There is nothing wrong with the calculations [John McCallum has] done that I can see, except to assume the [Alliance's] six billion [dollar] debt reduction is over and above any margin of prudence. Your results do not hinge on that assumption however. The total cost of the Alliance plan will indeed require either a stronger economy than forecast, or some other cuts in spending not yet identified, or delay some part of their plan."

2. Pierre Fortin, Professor of Economics, Universite du Quebec Montreal:

"If the Alliance fiscal plan were to be implemented, Canadians would have to suffer from a new round of very severe federal spending cuts: a huge transfer of wealth would have to be made from the middle class to the rich and super-rich; and the [relative] economic power of the Canadian federal government would drop to 60 per cent of that of the U.S. federal government."

3. Mike McCracken, President, Informetrica, Ottawa:

"The possible imbalance in the Alliance programme by 2004/2005 is in the range of a shortfall of $20.65 billion, which suggests large cutbacks in discretionary spending."

4. Marc Van Audenrode, Professor of Economics, Universite Laval:

"I have read John McCallum's fiscal projections and find them to be conservative, but prudent."

Each and every Canadian is impatient to reap the fruit of the new-found health of our public finances. However, I believe that health to be still fragile and particularly vulnerable to an economic slowdown. It is therefore very important to my mind that, to further strengthen our public finance, the Government of Canada commits to a reasonable, but steady rhythm of debt reduction and gives itself some leeway to respond to economic contingencies (as the current government has done).

Although as a private citizen I would very much love to benefit from the Alliance's proposed (incremental) tax cuts, I do not believe the Government of Canada could afford them without either endangering the objective of reducing the debt at a steady pace or resorting to additional large spending cuts.

On my second theme, ladies and gentlemen, I therefore conclude that the Canadian Alliance is guilty of gross fiscal irresponsibility. This is not a question of politics, whether you are left wing or right wing, or even far left or far right. Whatever one's political affiliation, one should respect basic arithmetic. One should be numerate.

The Alliance platform is fundamentally dishonest. It is promising tax cuts far beyond its ability to deliver. Or it is disguising the draconian spending cuts that would be needed to deliver on its agenda. Mr. Day's so-called "Agenda of Respect" does not respect the basic ability of Canadians to add and subtract. Once the facts are out, the Canadian Alliance's fiscal plan cannot be good for markets either. If there is one thing that markets abhor, it is gross fiscal irresponsibility.

In the first federal election of the new millennium, at a time when people demand transparency and honesty, it is the Canadian Alliance that is trying to hoodwink Canadians. It wants to fool them by promising more than four times what they have to give.

I would like to conclude my remarks with what I believe is an important message to Canada's business community from someone who has the privilege to be the Chief Economist for Canada's largest bank, albeit on leave.

It is true that the Canadian Alliance is offering you—the better off in our society—more tax breaks in this election. I understand why those of you who are called upon to bear so much of the fiscal burden of this country would find the promise of even greater tax reductions, moving ultimately to the capitalist nirvana of a flat tax, an attractive political promise.

But what is the price of the Alliance promise? There can only be two answers. Maybe our national accounts will be plunged into another horrendous series of deficits. Fiscal irresponsibility in the past was at the root of the serious problems that we have just dug ourselves out of, and fiscal irresponsibility going forward will just as surely be the cause of our national undoing in the years to come. Or, more likely, the Alliance plan is a Trojan horse for a much broader, darker agenda than Mr. Day has yet dared to disclose. I put it to you that the only way Mr. Day can pay for the tax cuts he has promised is to destroy the social fabric of this country.

Where will another $25 billion in required annual spending cuts come from? Mr. Day and the Canadian Alliance owe all of us an answer. In the absence of a proper answer, Canadians are right to fear the worst. Will the savings Mr. Day needs to avoid bankrupting this country again come from privatising significant components of our health-care system? Will they come from abandoning the poor, the unemployed, the disabled and the elderly? Will they come from turning our back on native peoples and the environment we inherited? Will they harm the most dispossessed in our society—the children of our poor? Will they steal away the hopes of our young people for a quality education that will fit them for the challenges of our new economy?

Ladies and gentlemen, there is a much meaner and very foreign idea of Canada buried in the Canadian Alliance platform than has yet been recognised by our media and political commentators. In order for the numbers to work, I am convinced that there has to be a hidden agenda so massive that the very idea of Canada as we know it is at stake in this election. The cold, hard numbers lay the truth of that agenda bare for all to see. For me, the Canada I know and love is no less under attack by the Alliance today than it was by the separatists in 1995. There can be no better reason for entering politics than to stand up against those who want to take what you know and love away from you.

I know that all of you favour fiscal responsibility over irresponsibility. More than that, from my years on Bay Street, I know that many of you share at least some of the core values that have defined this country since the last great war and long before that: the celebration of diversity, universally accessible health care and education, a social safety net that serves as a springboard rather than a quagmire, a philosophy of sharing between our richer regions and our poorer, a reasonably progressive tax system, a role for government in supporting basic research and excellence in our universities, investment in innovation and training throughout our economy and a pervading spirit of social liberalism. These are the values that have civilised Canada. And I know that many of you would happily trade a more modest tax break for a more civilised Canada.

But my plea is not just at the personal level. It is to the leadership of our corporate sector as well. I have always believed that there is an unwritten contract between business and governments in this country. Business would support Canadians' vision of a kinder, gentler society in the northern half of North America, so long as government did its part in creating a positive environment for business: fiscal and monetary discipline; a competitive environment, and a government that was not too large and meddlesome.

There have been governments of all stripes in this country who have breached this basic understanding over the years. But this Liberal government, under this Prime Minister and Finance Minister, has honoured its side of the bargain in spades.

Our fiscal house is now in order. Our core inflation rate is low and stable. Programme spending as a proportion of the total economy is at a lower level than it has been in my lifetime. Capital gains and corporate income tax rates are about to be slashed to levels that compare favourably with the United States. Personal income taxes have been lowered across the board and the income tax surtax levied on the most fortunate in our society has been eliminated.

I therefore ask you to reject Mr. Day and the Canadian Alliance. Do not sell out the soul of this country just for a bigger tax cut. That bigger tax cut will return us to an era of big deficits or it clearly implies policies that will rip this country apart. It is nothing more than the siren call of a party for the greedy.

Whether or not the Liberal party needs the support of the Canadian business community is not the issue. In this election, the Liberal party deserves the support of the Canadian business community because it has united the country around policies that are good for business without being unfair to ordinary citizens. As voting day approaches, I would ask you to consider that proposition and its broader responsibilities very carefully. I ask you to show all Canadians that our business community has a vision marked by its compassion for the challenges of our society as a whole.

The other night I was canvassing in Markham on a street where almost everyone I met was a new Canadian.

More than half the population of my riding consists of people who have departed their homeland to build a new life here with us in Canada. At just about every doorstep, I got a broad smile and an agreement to put a sign on the lawn. Not because of me—most of them did not know me from Adam—but because I was a Liberal. These people know that the Liberal party is their party, the party of new Canadians and open immigration, the party that welcomes them to our shores, the party that not only tolerates diversity but also really celebrates it, the party that believes in giving opportunity to those struggling to make their lives better. You don't have to say anything to make the point. You don't have to refer to any other party. Instinctively, everyone just knows what it is all about. I felt proud when we got 60 lawn sign requests in just over two hours, prouder still a couple of days later when I saw the street awash in Liberal red. At that moment, ladies and gentlemen, I knew that I would always be a Liberal.

And the Alliance? Will they really be able to meet their health-care promises when the rest of their programme puts them $25 billion in the hole? I doubt it. Will they really be able to preserve the principles of Medicare when they promise never again to withhold funds from the provinces? Absolutely not. And when they eliminate cash payments to the provinces entirely and replace these with a transfer of tax points, they will have given up the only tool we have to enforce national standards in health. Forever, my friends, I am with the Liberals.

And the Alliance? They have said they will finance their tax cuts for the better off by hurting society's weaker members—the homeless, aboriginal Canadians, aid to the poorest countries in our world, Atlantic Canadians. Is this our idea of social justice? Never, my friends. I am with the Liberals.

And the Alliance? They have said they will deal with the tough moral questions in our society—abortion, capital punishment, civil rights—by way of what will surely be an endless series of inherently divisive referenda. The Alliance hides its truly ugly underbelly under the smokescreen of popular democracy. My friends, this is not what our democracy is all about. It is a policy of abdicating leadership to extremists on every question—a proved recipe for continuing social disharmony, never-ending conflicts. My friends, I am with the Liberals.

And my friends, I can be a Liberal and still fight for more tax cuts when our fiscal capacity and our broader national priorities can accommodate them. For now I am proud to stand for a party that has shown it can manage our economy soundly and deliver, not as an opposition party election promise but as government policy, the largest tax cut in Canadian history.

Ladies and gentlemen, this is a great country. Our future is bright. Our economy is strong. Productivity is on the way up. Real disposable incomes are on the rise. The new economy is ours to unleash. Our society has the humanity and civility to make Canada the envy of the world.

This wonderful plateau we stand on today and the fabulous vision it presents for all Canadians in a new millennium is not a place we happened upon by accident. But now we have to step forward from that plateau. Will it be onward and upward with steady moderation or will we veer to the extreme right and over the precipice? Will we forfeit all that we have built by design through a single tragic electoral mistake? Will we allow ourselves to stumble blindly into an accident that is waiting to happen simply because we have failed to call our opposition politicians to the same standard of accounting that we expect of our governments? I am confident that we will not.

And for those of you who question whether what we do in Canada even matters in the context of our brave, new 'globalised' economy, I would like to quote from a recent lecture given by the dean of Canadian economists and my good friend, John Helliwell, who said: "Globalisation, to the extent it exists, does not pose a threat to the viability and independence of smaller countries."

The implication of that statement, with which I wholeheartedly agree, is that countries like Canada—and their governments—still have the ability to make choices. Choices that can make an important difference in their societies. And if our governments still have the ability to make choices on important matters, they are also still capable of making mistakes.

So I repeat: the Canada we know today did not happen by accident. When we are asked to exercise our most sacred right as citizens on November 27, let us all—especially those of us who have been privileged to be a part of the success of the Canadian business community—remember that.

The appreciation of the meeting was expressed by George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.

November 30, 2000

Dr. Éric Dupont

President and Chief Executive Officer, Æterna Laboratories Inc.

A CANADIAN TECHNOLOGY SUCCESS STORY

CANCER THERAPY: FROM CONCEPT TO COMMONPLACE

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Anne Libby, Owner, Libby's Fine Art and Director, The Empire Club of Canada; Reverend Dr. John Niles, Victoria Park United Church; Genevieve Poulin, Biotech Analyst, Banque Nationale; Dr. Richard Beliveau, Director of the Molecular Oncology Laboratory, The Cancer Research Centre, Hôspital de Sainte-Justine, Montreal; Dr. Daniel Sauder, Professor and Chief of Dermatology, University of Toronto, Sunnybrook and Women's College Health Science Centre; William G. Whittaker, Q.C., Partner, Lette Whittaker and Honorary Director, The Empire Club of Canada; The Hon. Murray Elston, President, Canada's Research-Based Pharmaceutical Companies and Former Ontario Minister of Health; Pierre Lassonde, President and Co-Chief Executive Officer, Franco-Nevada Mining Corporation Limited; Marcel Aubut, Senior Partner, Heenan Blaikie Aubut; and Dr. William Evans, Vice-President, Cancer Care Ontario.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, Dr. Éric Dupont.

Today in Canada, one in three Canadians face a lifetime chance of being diagnosed with cancer. Ten years from now, the National Cancer Institute predicts there will be twice as many Canadians living with cancer.

Treating cancer is a challenge, but advances are being made. Advances such as MAB gene therapy and those being made by our guest today.

Æterna Laboratories is a Canadian company working to develop a breakthrough therapy in the battle against cancer. Our guest today, Dr. Éric Dupont is one of the inventors of the patents covering the angiogenesis inhibitor compound, Neovastat, being developed by Æterna.

Anti-angiogenesis is a new biological approach to cancer treatment. It works by choking off the blood supply that feeds tumour cells so the cells die and can't spread through the body.

Æterna is promoting this approach to cancer therapy using a substance found in shark cartilage with the goal of finding a treatment for the disease. The company is one of the front runners in an international race to win marketing approval for an angiogenesis blocker.

Æterna's treatment, Neovastat is being investigated in three major areas—cancer treatment, dermatology and ophthalmology. It is estimated that more than 180 million people in North America and Europe could benefit from this product.

Dr. Dupont founded Æterna Laboratories in 1991 while completing his Ph.D. in physiology-endocrinology. He has also completed post-doctoral studies in neuro-endocrinology. He is the author or co-author of over 50 scientific publications and lectures and has received numerous awards of excellence for his work. For example, he was the recipient of the 20th century Award for Achievement from Cambridge, recognised in 1996 as one of the "Top 40 under 40" in Canada and Æterna has been awarded Company of the Year in Sainte-Foy.

Ladies and gentlemen, please welcome Dr. Éric Dupont to The Empire Club of Canada.

Éric Dupont

Thank you Ms. Steele and good afternoon ladies and gentlemen.

It is an honour for me to speak today before The Empire Club of Canada, one of our country's most prestigious forums. As you heard in that very kind introduction, I am both a scientist and a businessman, and I am here today representing our team at Æterna Laboratories.

Æterna is a Quebec-based biopharmaceutical company with a single guiding mission: to become an international biotech focused on cancer.

However, if you were to ask me what actually inspires the work we do, I would respond with a single word: hope.

Hope is what I want to talk about today. I want to talk about the progress we've made in cancer therapy, and about our conviction that Canadian research achievements will bring about increasingly successful cancer treatments.

I realise that hope is not a word we easily associate with cancer. In fact, cancer more often evokes fear. It is a very serious, and too often deadly disease, and it touches us all. The truth is, virtually every Canadian will experience cancer, either personally, or through a family member or friend.

This year, nearly 132,000 people in Canada will be diagnosed with cancer. Tragically, approximately 65,000 people will die of the disease.

That is the bad news. But there is truly reason for hope. Scientists and researchers are fighting back, and over the last 20 years we have made tremendous progress. Today, we have a significantly more detailed understanding of cancer in its many forms. Improved screening and early detection have enhanced our treatment programmes. Educational campaigns have contributed to changes in lifestyle and to the improvement of our general health. And the scientific community has been working hard to develop new and diversified therapies. We are starting to see some positive outcomes resulting from these efforts.

Indeed, recent studies indicate rates of decline for most types of cancer. According to the National Cancer Institute of Canada, the mortality rate for Hodgkin's disease, for example, has declined at an annual rate of 5 per cent since 1988.

However, these advances come at a cost. Hundreds of millions of dollars are invested every year in cancer research around the world. In Canada, both levels of government have made cancer research a top priority by financing research laboratories and paying for novel therapies offered by the pharmaceutical industry. Locally, the Canadian Cancer Society in Ontario contributed more than $25 million to cancer research this year.

From an operational point of view, Cancer Care Ontario, headed by Dr. William Evans sitting at our head table, is providing budgets to hospitals and oncology clinics. This organisation is also responsible for the challenging tasks of defining clinical guidelines and assessing the value of innovative therapies for reimbursement purposes.

In the larger scheme of things, however, these R&D expenditures are still relatively low, particularly when we consider both the human suffering cancer generates, and its cost to society.

The National Institutes of Health estimate that annual operative costs for cancer in the United States exceed $107 billion, so there is a pressing need to invest even more in prevention, early diagnosis, treatment, and a cure.

The discoveries of the last 20 years have set the stage for a new era in cancer treatment. In the race to develop new treatments, Canada is among the world leaders, so we have reason to be proud as well as hopeful.

At Æterna, we firmly believe that many of our best hopes for improved cancer therapies lie with biotechnology. Once again, we can be proud that some of the best biotech talent in the world is in Canada. We are leaders. In fact, the Canadian biotech sector now ranks second only to the U.S. in terms of size.

This achievement reflects the hard work of people with vision. We can trace its beginnings back to 1983, when the federal government implemented a national strategy on biotechnology, and the provinces began offering generous R&D incentives.

I realise how the entire biotechnology field has not always resulted in success stories. We have indeed heard stories of start-up companies that failed, or potential treatments that never delivered what they promised.

But I also know something about the possibilities of our research. You see, this area of endeavour has always been close to my heart. In the 80s, my uncle, Dr. André Dupont, developed with his colleagues an anti-hormonal treatment for prostate cancer which is still being administered today.

So let me repeat: our research into a new cancer treatment is inspired by hope—hope for improving the quality of life of those afflicted, and hope for an eventual cure.

As I mentioned, our company, Æterna, is based in Quebec City. But as we embark upon the final clinical trials for the cancer treatment we have developed, our influence reaches across the world. This treatment is called Neovastat, and we believe this drug may provide a breakthrough in cancer therapy, and help to usher in a new age of cancer treatment.

Before I tell you about the progress we have made, I should tell you what we are up against.

As you know, cancer is actually a group of diseases. It has been with our species forever; evidence of the disease has even been found in the remains of Egyptian mummies. Over the past 50 years it has become predominant, at least in part because our lifespans have increased so dramatically.

Cancer is characterised by the uncontrolled growth of abnormal cells, which leads to the development of a tumour. These tumours can take over an organ or other part of the body. If they are malignant, tumours can spread through a process called metastasis. If the spread is not controlled, it can result in death.

To date, cancer treatment has generally centred on surgery, radiation, and chemotherapy. In many cases, particularly when the cancer has been detected early, these treatments can be effective. However, the consequences of treatment can often be traumatic and debilitating.

Biotechnical or biopharmaceutical treatments offer a new approach. They aim to supplement traditional therapies, and in some cases, to replace them. Many biopharmaceutical treatments hold out the promise of far less discomfort for the patient, and significantly reduced side effects.

Biotech research in cancer therapy falls into several categories including antibodies, vaccines, gene therapy, and anti-angiogenesis—the area that Æterna is particularly excited about.

Let me explain each of them briefly:

- Bioengineered antibodies when injected into the blood stream, seek out diseased cells, attach to them, and then send out a signal to the immune system to destroy the defect.
- Vaccines are intended to teach our immune systems how to fight a cancer that has already established itself.
- Gene therapy is another interesting area. The goal of gene therapy is to identify and isolate the root cause of cancer—those genes that cause tumour growth or that inhibit our natural defences.

This year marked the completion of the human genome. Now we must determine what role individual genes play in specific diseases.

Which brings me to anti-angiogenesis. A few words of explanation are in order.

Researchers believe that 90 per cent of all cancer cases are dependent on something called angiogenesis. This is a molecular process that involves the generation of a path of blood vessels. The human body constantly generates new blood vessels: as a foetus is formed, for example, or as a healthy body grows, or as the body heals itself after an injury. In these cases, angiogenesis is a normal physiological process.

However, the abnormal growth of blood vessels—pathological angiogenesis—is implicated in the development of more than 20 different diseases.

In the case of cancer, angiogenesis is critical to the development of tumours. A tumour is a living thing. And like all living things it needs to be nourished to survive and grow. It does so by forming new blood vessels around it.

Anti-angiogenesis aims to defeat this process. The underlying principle behind anti-angiogenesis is that the development of these blood vessels may be slowed or halted entirely. If the supply of nutrients that reach a tumour through the blood vessels is cut off, then the tumour is starved, and is unable to develop or spread. It may even shrink. In short, angiogenesis blockers cut off the tumour's umbilical cord, its very support system.

Over the past decade, our research has shown us that there are only two types of cells that do not allow the growth of blood vessels—those that are found within cartilage and the retina of the eye. At Æterna, we have successfully isolated the active molecules that prevent the formation of blood vessels in cartilage.

From this we have developed Neovastat—an oral, biologically active treatment that can interrupt vascular growth to solid tumours. Neovastat contains the molecular key that locks the door to blood vessels.

The concept has an elegant simplicity that I can admire as a scientist. Turning the concept into a workable and safe treatment has been a challenging process for us from both a scientific and business point of view. But the rewards of this success are truly exciting. And they give us genuine cause for hope.

Æterna is not alone in pursuing anti-angiogenesis. Nearly 200 companies are conducting research into angiogenesis inhibitors, with nearly 80 per cent of the work focused on treatments for cancer.

I am proud to say that Æterna is leading the field. We are a front runner in clinical trials and we expect to be among the first to offer an anti-angiogenesis treatment. This means that here we are with a Canadian product that has an excellent chance of opening up a new class of drug for the treatment of cancer throughout the world. This would be a thoroughly Canadian success story. Let's see how we got there.

Between 1992 and 2002, Æterna will have invested more than $100 million in research and therapy development. In a very short time, we have grown from a five-person operation, to a world-class biotech company employing more than 150 people.

From the start, our goal has been to combine scientific leadership with a disciplined and highly strategic approach to developing a commercially viable cancer therapy. It is here that science and commerce really meet.

Æterna financed much of its early research through funds generated by its commercial division, which became Atrium Biotechnologies Inc. this past January.

We have also been fortunate enough to secure the trust of the capital markets. Æterna has been traded on the Toronto Stock Exchange since 1995 and was added to the TSE 300 Composite Index last June. It was also listed on NASDAQ this year.

Additionally, governmental agencies have made significant investments in our research. The National Cancer Institute in the United States has contributed $5 million towards our Phase III clinical trial in lung cancer. And the Government of Canada, through its Technology

Partnerships Program, offered us a substantial vote of confidence in the form of a $30-million grant for the development of Neovastat.

After nearly a decade of hard work, and the support of both capital markets and governmental agencies, Æterna is now very well positioned.

I am particularly optimistic because this year Æterna received the go-ahead from the Government of Canada Health Protection Branch and the Food and Drug Administration in the United States to proceed with two pivotal Phase III trials for kidney and lung cancer.

These clinical trials represent the last step before Neovastat may be commercialised.

We have chosen to focus on progressive renal cell cancer for very specific reasons. There are 34,000 new cases of this disease diagnosed every year in North America, and at present the five-year survival rate is less than 10 per cent. The therapies that are currently available are effective in fewer than 20 per cent of all cases and often produce serious side effects.

Neovastat has already been shown not to produce these debilitating side effects, which is critical to a patient's quality of life. Success in this trial will allow us to seek quick approval from the various regulatory agencies to bring Neovastat to market. We are confident that Neovastat will perform well in these final trials, and that we will be able to begin offering the drug to patients as soon as 2003.

However, with the successful completion of these trials, our work is far from over. Indeed, we have sought approval to begin a clinical trial of Neovastat in patients with multiple myeloma, a form of bone marrow cancer.

The Phase II pivotal trial is also designed to obtain accelerated approval of the drug.

So what lies ahead for us?

In the pharmaceutical sector, four factors contribute to a company's international competitiveness: 1) excellent medical researchers; 2) a timely drug approval process; 3) international standards of patent protection; and 4) open patient access to new medicines.

We believe Æterna has thoroughly met all these conditions. We have the support of some of the best medical researchers in Canada and throughout the world. And we are confident that Æterna, especially in the Canadian environment, will benefit from the last three pharmaco-political factors.

In other words, I am inviting our Canadian decision makers to be part of our success story by recognising it as a breakthrough therapy and therefore allowing speedy approval to ensure quicker availability for the patients.

From a commercial standpoint, Neovastat will be marketed and distributed through a network of innovative and well-established pharmaceutical firms. And in the coming year, we intend to step up efforts to increase our product pipeline by undertaking strategic acquisitions of smaller biotech companies who already have treatments in the latter stages of clinical testing.

At Æterna, we have devoted all our energies and skills to developing biopharmaceutical treatments that will enhance the quality of life for human beings. Today, we are very close to ushering in a new age of cancer treatment.

I am convinced that science will find better and safer treatments for cancer. In just a few years, we have made enormous advances. We are increasing our understanding of the various types of cancer, and we are devising better methods of identifying these cancers before they become life-threatening.

And we are coming ever-closer to developing treatments that will substantially improve patients' quality of life. Little by little, we are alleviating suffering and fear.

At Æterna, hope is firmly rooted to rigorous scientific principles. And I profoundly believe that the concerted efforts of our scientific and business communities will make it possible to transform cancer from a lethal to a chronic disease. Success is very much within our reach.

Thank you.

The appreciation of the meeting was expressed by William G. Whittaker, Q.C., Partner, Lette Whittaker and Honorary Director, The Empire Club of Canada.

Dr. Éric Dupont, President and CEO, Æterna Laboratories Inc. and The Hon. Murray Elston, President, Canada's Research-Based Pharmaceutical Companies and Former Ontario Minister of Health.

December 14, 2000

The Hon. Hilary M. Weston

Lieutenant-Governor of Ontario

CHRISTMAS LUNCHEON

Seasons Greetings from The Hon. Hilary Weston and Special Performance by the Mendelssohn Youth Choir

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Douglas L. Derry, FCA, Corporate Director, Poplar Lane Holdings, Chairman, The Empire Club Foundation and Past President, The Empire Club of Canada; The Rt. Reverend Ann Tottenham, Bishop of the Area of Credit Valley and Archbishop, Anglican Diocese of Toronto; Jonathan Grover, OAC Student, University of Toronto Schools and Volunteer, Dept. of Genetics and Genomic Biology, The Hospital for Sick Children; Mike 'Pinball' Clemons, Ph.D., Coach and Former Star, The Toronto Argonaut Football Club; Carl Mason, Knight of The Order of St. John, St. John Ambulance; Liane Niles, Spouse of Reverend Dr. John Niles,Winner of the First Empire Club of Canada "Recognition" Award; Mike Bullard, Comedian, Star of CTV and The Comedy Network's "Open Mike with Mike Bullard"; The Most Reverend Terence E. Finlay, Archbishop of the

Ecclesiastical Province of Ontario, The Anglican Church of Canada, Archbishop of The Diocese of Toronto Anglican Church and Honorary Chaplain, The Empire Club of Canada; David A. Edmison, Senior Partner, Martin Lucas & Seagram and Past President, The Empire Club of Canada; Brian Feeney, President, ORVA Space Corporation and Team Leader, The da Vinci Project; Col. Des Deslauriers, Commander, 32 Brigade; David Mirvish, Co-Founder, Mirvish Productions; Gwyne Willmot, LVO, AdeC, Director, The Empire Club of Canada; Al Waxman, Actor, Director and Star of "King of Kensington" and "Cagney & Lacey"; Jack Nederpelt, Managing Director, Heidrick & Struggles; and Reverend Dr. John Niles, Pastor, Victoria Park United Church and Winner of the First Empire Club of Canada "Recognition" Award.

Introduction by Catherine Steele

It is now my pleasure to call upon Her Honour Hilary Weston, the Lieutenant-Governor of Ontario. And let me just say how thrilled we are that you are able to join us today. Ladies and gentlemen, please welcome Lieutenant-Governor Hilary Weston.

Hilary Weston

As Honorary Vice-President of The Empire Club of Canada, I am delighted to join you again for your annual Christmas luncheon. For one who normally eats lunch on the go, the pleasure of a leisurely midday meal seems to come, like Santa, but once a year!

I find myself in the company of a distinguished and eclectic group of guests. What a delight it is to be seated with such colourful personalities as comedian Mike Bullard (for whom, I assure you, this mike is not open) and football coach "Pinball" Clemons (whose Argonauts still seek a golden fleece in the guise of a Grey Cup).

And I look forward to hearing the Mendelssohn Youth Choir, since it is always a great pleasure to see talented young people doing something that they really enjoy.

You may recall that this time last year, we were awaiting the much-ballyhooed Y2K with a mixture of apprehension and enthusiasm. Happily, the world did not come to an end, and a grand New Year's celebration was followed by business as usual for most people around the world.

Yet the "odometer year," when all the numbers on the metre flipped over at the same time, did prompt many people to make once-in-a-lifetime resolutions: to take a long-desired trip around the world, change careers, or start a new dot-com.

Many of us in public life began millennium initiatives designed to mark this extraordinary year in special ways. And I was no different. This year, we launched the Lieutenant-Governor's Community Volunteer Award for Students, to honour exemplary students from 1,100 secondary schools.

I am delighted to say that a great many young people qualified for the award—delighted, but not surprised—because over the past four years, I have had the pleasure of meeting literally thousands of young people who make me very hopeful for the future of Ontario and Canada. This feeling grows even stronger with each letter I receive from a Volunteer Award winner.

Their diverse volunteer activities not only help their communities but also make them caring and responsible young citizens. As one young man wrote, "Volunteering has given me a spectrum of valuable experiences that no school curriculum can offer." Often these formative lessons shape a lifelong pattern of giving.

These mature young people seldom seek praise for what they give. Another student wrote to me and said, "I was not expecting any recognition … I volunteer to help others, not to receive praise." And yet by validating their efforts, we bring attention to the positive qualities young people possess, despite perceptions to the contrary.

Another young woman noted that the awards are "sending a wonderful message to our province that young people are capable of being and doing good." And to show how much this message needs to be heard, she added, "You know, there have been a few times when stores would not serve me because I am a young person. Thank you," she said, "for believing in us: it means a lot."

By recognising young volunteers, I hope to encourage others to follow in their footsteps. The hundreds of students who received the inaugural award this year, and those who will follow them, show just how much young Ontarians can do. What, you may ask, makes these young people such a driving force?

I believe that the philosopher Aristotle gave us a clue in his book on ethics, when he described young people as follows: "Their hopeful disposition makes them think themselves equal to great things, and that means having exalted notions... Their lives are regulated more by moral feeling than by reasoning... They overdo everything: they love too much... and the same with everything else."

They sound like pretty amazing human beings to me! Because I have seen during my term of office that most young Ontarians do indeed think themselves equal to great things. And it is our good fortune that these "great things" often change our schools and our communities for the better.

In this season of goodwill, as we reflect upon the many blessings of living in "the best country in the world," I believe we can confidently add to our list these wonderful young people.

On this festive occasion, I bring you my greetings, and very best wishes for a happy holiday and a New Year filled with peace and joy.

Catherine Steele

I would now like to call upon David Edmison, Past President of The Empire Club of Canada. David will present the first-ever Empire Club of Canada Community Service Award. We'd like to acknowledge the sponsor of our award, R. Doreen Seltzer. The award will be presented by Her Honour.

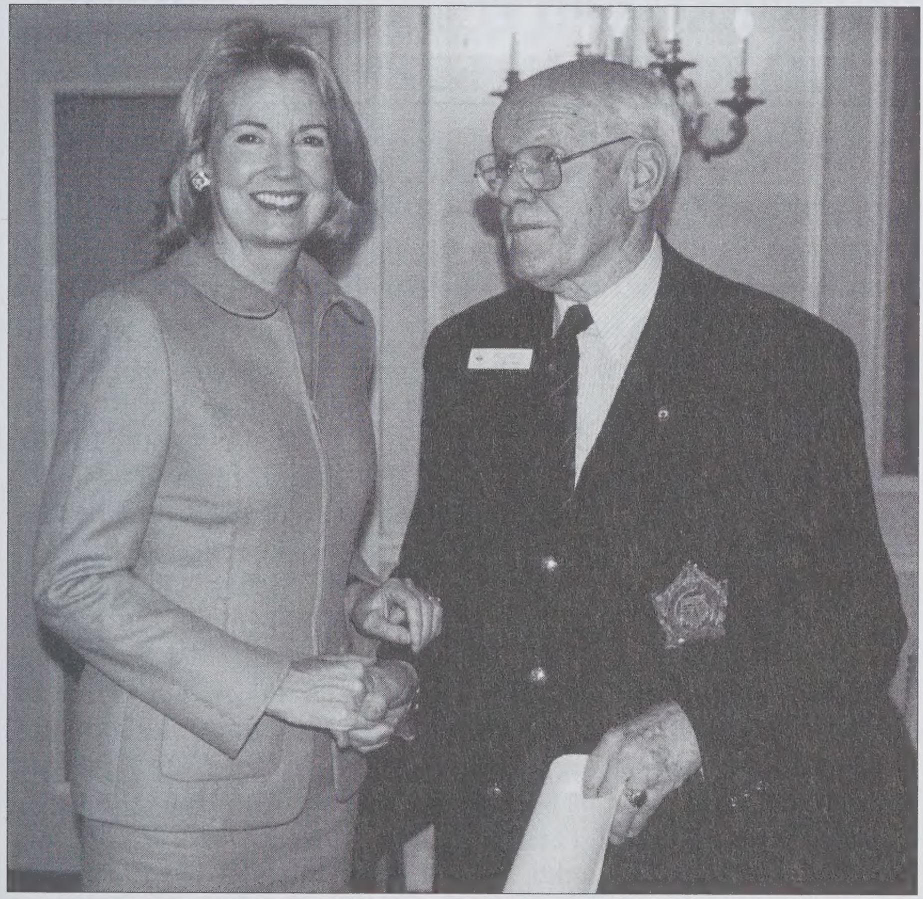
Catherine Steele

Thank you David.

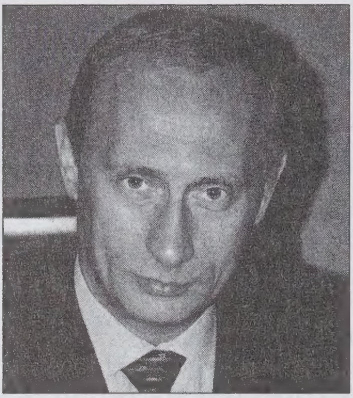
It is now my pleasure to welcome the Mendelssohn Youth Choir. Founded in 1977, the choir is comprised of young adult singers between the ages of 15 and 23. Today they will be performing under the direction of renowned John Rutter.

Please welcome the Mendelssohn Youth Choir.

The appreciation of the meeting was expressed by David A. Edmison, Senior Partner, Martin Lucas & Seagram and Past President, The Empire Club of Canada.



The Hon. Hilary M. Weston, Lieutenant-Governor of Ontario and Major William A. Duncan, CD, Honorary Director, The Empire Club of Canada.



December 19, 2000

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

His Excellency Mr. Vladimir V. Putin

President of the Russian Federation

POLITICAL AND ECONOMIC EVENTS IN THE RUSSIAN FEDERATION

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

His Excellency Vitaly Churkin, Ambassador of the Russian Federation to Canada; Vyacheslav E. Pozgalev, Governor of Vologda Region; Rodney Irwin, Ambassador of Canada to the Russian Federation; Serguey Prikhodko, Foreign Policy Assistant to the President of the Russian Federation; The Hon. Ernie Eves, M.P.P., Deputy Premier and Minister of Finance, Government of Ontario; Dmitriy A. Medvedev, First Deputy Head of the Administration of the President of the Russian Federation; The Hon. Henry N.R. Jackman, Chairman, E-L Financial Corporation Ltd., Former Lieutenant-Governor of Ontario and Honorary Chairman and Past President, The Empire Club of Canada; Valentin I. Tsvetkov, Governor of Magadan Region; Don Whalen, Chairman, Canadian Russian Business Forum and Chairman, High River Gold Mines Ltd.; Yuriy A. Evdokimov, Governor of Murmansk Region; The Hon. David M. Collenette, Minster of Transport, Government of Canada; His Excellency Viktor Khristenko, Deputy Prime Minister of the Russian Federation; and Marilyn Linton, President, The Canadian Club of Toronto and Health Editor, The Toronto Sun.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, His Excellency Vladimir Putin, President of the Russian Federation.

Russia for me has always been a country full of mystery. In grade school we learned that Russia like Canada was a large country with a cold climate and lots of snow. And then of course there is the mutual love of our national game—ice hockey. In fact, I must admit that the Russian word I became most familiar with was Tretiak, as in your infamous goalie Tretiak who seemingly stopped every puck. Perhaps Mr. President, citizens in your country may have developed the same familiarity with one famous Canadian hockey player, Paul Henderson?

Today, the world watches with interest at what is happening in Russia as it makes the challenging transformation from communism to a market-based economy. Selected by Boris Yeltsin to lead the country, Vladimir Putin has embarked upon a mission to strengthen the Russian state, unite his country and increase trade and economic ties with other countries including Canada. The media have also commented that his youth has brought new hope to his country's young people.

We are thrilled that he could take time from what has been a very busy visit to Canada to be with us here today.

Ladies and gentlemen, please welcome His Excellency Vladimir Putin, President of the Russian Federation to this joint meeting of The Empire Club of Canada and the Canadian Club of Toronto.

Vladimir Putin

Good afternoon, ladies and gentlemen. I have a very complex task. It is difficult for me to speak to so many knowledgeable and qualified people. My task is further complicated by my having to tear you away from your dinner.

I hope that our meeting today will be pleasant as well as informative. I must say that my talks with the Canadian leadership, with Prime Minister Jean Chretien, were content-rich and fruitful and have demonstrated that Russia and Canada possess a solid and stable basis for co-operation.

We discussed at length a wide range of questions on bilateral relations and international problems. I know that there are people present in this hall today who are professionally involved in business and politics and international relations. Therefore, I will offer a general overview of all these problems, briefing you on what is occurring in the political and economic fields in the Russian Federation.

Nothing draws partners together as much as successes in a common undertaking. Politicians are obliged to promote the interests of the business circles of our respective countries to encourage trade. I think that in Russia, if not as rapidly as we would like, conditions are being created for us to be open and absolutely reliable.

The spirit of co-operation that has been established between Canada and Russia over the last few centuries of diplomatic and business contacts pre-determine a good partnership. Of course, the main guarantee of success is stability of a political and economic character. This year Russia has seriously advanced the "gathering" of our Federation, which in recent years, unfortunately, has often resembled a decentralised state.

The gathering of the Federation was the purpose of the initiative for establishing seven federal districts this year. It was an endeavour to bring the region's legislation into full conformity with the Constitution of the country. When I speak of the decentralisation of Russia in recent years, I want to draw your attention to the sad fact that approximately 25 per cent of all the laws and regulations in the regions of the Russian Federation did not conform to the Constitution of Russia and the federal statutes.

This was certainly a substantial obstacle in the road to the development of Russian statehood and national business. It also made the entry into Russia's economy difficult for our foreign partners. Of late the system of state administration has been considerably reinforced, moving to a single business and economic system, resulting in political stabilisation and obvious societal consolidation.

Today the co-operation of all of the branches of power in Russia is highly productive, this being reflected, first and foremost, in the activity of the country's Parliament—the State Duma of Russia. Order and political stability are inevitably followed by order in the economy. The business and investment climate in the country is altering substantially. Our economy now looks much more attractive than it did several years ago.

Figures effectively demonstrate this. I do not want to tire you with an excess of these figures, but Gross Domestic Product in the first half of the year grew by 7.5 per cent.

Industrial potential rose by 15 to 20 per cent, with industrial production growth in some regions as high as 30 per cent. The dynamics of fixed assets investment have improved and inflation has been reduced by more than two times.

In any case the macro-economic indicators set by the state budget of the current year have been reached. Over the first 10 months of the current year the average monthly real cash incomes of Russian citizens went up by 9.4 per cent compared to the same period in 1999. And for the first time a federal budget surplus has been achieved in the country.

Ladies and gentlemen, Canada and Russia are the world's largest federations. One economic advantage is economic flexibility because federalism makes it possible to even out the social economic possibilities of different areas and makes it possible to provide all Russian citizens, irrespective of their place of residence, with equal starting opportunities. Furthermore, the economy of the provinces is always a good proving ground for the most effective and progressive federation-wide models and a testing ground for running strategic models for the economic development of the entire country. This is only part of the multitude of virtues of a federation. I am sincerely convinced we have much in common. Of basic importance is that we are not only aware of our obvious achievements, but seriously and openly discuss the pain spots. A successful roundtable on the problems of federalism was successfully held here in Canada. The leaders of Canada's provinces and of Russia's regions, as well as leading experts in both countries attended. I think we must listen to their opinions. Such interstate discussions need to be made regularly, and held both on Canadian and Russian soil.

Russian-Canadian co-operation is in my view absolutely unique. We are working together on the so-called Northern dimension, a project for the joint development of the Arctic, its social component, support of the indigenous peoples of the North and the preservation of their cultures, traditions and language. All this is equally important for Russia and for Canada. This is supported by a whole series of joint cultural, educational and other humanitarian programmes for the indigenous peoples of the North.

Another project is the Arctic Bridge, which is designed to shift the main flow of goods between the two countries to northern routes with the use of sea ways. In Russia this area of activity is fairly effective and some success was developed back in Soviet times. I am convinced that with the development of the Arctic junction our countries will become much closer to each other, and on this northern theme we have a whole package of long-term projects.

There is a considerable co-operation in the buildup of mutual trade. The volume of trade in oil, metals, chemicals, and machinery and equipment between our countries has lately grown significantly. It is in our common interest to create conditions easing access for commodities to the markets of both countries.

Regarding this we are seriously worried by the restrictive measures being taken by Canada against Russian steel. We spoke of this at yesterday's meetings with the Canadian prime minister and cabinet members.

The improving climate for trade in energy- and science-intensive goods will help to strengthen the positions of Canada and Russia on world and domestic markets to bring profits to both you and us. There are already constructive examples of such co-operation now. Three Canadian companies are active in the oil and gas sector of Russia, having already invested over $300 million there. Also interesting are the proposals for the development of reservoir sandstones in Alberta, where we have a whole field of joint programmes and exchange of experience.

Good opportunities for expansion are opening up in the mining industry, where Canadian investments have been made. There are projects in the Magadan Region, in the gold-mining industry and if you have questions later the governors of their respective regions are ready to share information on how the co-operative effort is proceeding in their regions.

I believe we should tap resources in the high-technology field more intensively. Successful joint works in space development are well known and with equal success we could use our achievements in aviation as well.

Indicative is the example of the use in Canada of the Russian helicopter K-32 A, the sole type of helicopter used in difficult Arctic conditions. I think its full certification will help expand the use of this machine in Canada. The users of this machine will obviously gain a definite advantage.

In practical terms, taking the natural conditions of Russia into account, the engagement of partners in the construction of houses according to Canadian technologies is important. I know that in this field there is a definite quite optimistic, forward-looking, joint programme.

Much has been achieved by direct contacts between Russia's regions and Canada's provinces. We have produced a signed Agreement on the Principles and

Guidelines for Co-operation between the subjects of the Russian Federation and Canada's territories.

A powerful opportunity, ladies and gentlemen, lies in the field of investments, but so far it has been poorly tapped unfortunately. We understand the puck is on the Russian side and a lot depends on Russia. But it has to be stated that Canada now holds only 19th place among foreign investors in Russia, which obviously does not correspond to the potential of the two countries.

We regard the attraction of foreign investment as an important factor in Russia's integration into the world economy and for this purpose over the recent period we have been taking the most energetic measures. We have advanced in tax reform substantially. From January 1, 2001 a new tax code establishes the lowest tax rates on the whole European continent. I must say that Russia took a long time to reach this decision and it was not without difficulties. Only public opinion and the efforts by various social and political forces in the country helped in the end to adopt this code. It is an obvious sign of the definite and appreciable political stabilisation in Russia.

We are firmly upholding the basic principles of Russian policy, protecting the rights of ownership of good-faith entrepreneurs. Moreover a number of laws are being prepared to improve the legal foundations of owners' rights. We're taking serious measures to strengthen the legal system as an integral element of the steadily improving economic mechanism.

Over the last few years we have expanded the regulatory base governing the investment climate. The adopted Federal Law on Foreign Investment in the Russian Federation determines the national regime of activity for foreign investors and guarantees the full assurance of their rights. At the level of regions, their own programmes of government support for foreign investment activity are also being implemented.

For our part, by opening the Russian economy, we hope for our partners' reciprocity including those in international financial institutions. I feel that the process of Russia joining the World Trade Organization and the Organization for Economic Co-operation could be more dynamic. Russia counts on the support of Canada in this matter. I think if the principles and rules of these organisations operate in Russia, everyone stands to gain including our foreign partners.

The integration of Russian business into the world economic system is good for our country. It is a common interest of many states, which in the conditions of globalisation, jointly seek new ways of partnership and strive to create a favourable international climate for co-operation. We support a system of international mechanisms which ensure the integrity and security of the world, and effectively solves common problems. All key issues must be solved only on the basis of observance of the rules of international law through collective mechanisms, primarily through the mechanisms of the United Nations.

I would like to say a few words about a key problem, which is being actively discussed today—the problem of international security. We are convinced the deployment of a national missile defence system and attempts to destroy the ABM Treaty of 1972 will bring a collapse of the entire system of international security. Many states and eminent political and national figures of many countries share this concern with us. I think fresh evidence of this is the open letter published in the press that was sent to me by the prominent Canadian scientist, a Nobel laureate winner here, Professor John Polyani of the University of Toronto. He and I were able to exchange a couple of words before our meeting. Availing myself of this opportunity, I would like to thank Mr. Polyani for his letter. As I see it, it is imbued with a concern for the preservation of world security and stability. Quoting from this letter: "If we get down to modifying the ABM Treaty, this will lead to a weakening of the structure of international law on which undoubtedly world peace must be based." I must say it's perfect just as it is. An absolutely precise formulation.

We see a real alternative in a further drastic reduction of nuclear arsenals in the preservation of the ABM Treaty of 1972, bringing the START-2 Treaty into force, which we have already ratified and which has yet to be ratified by the United States, and the earliest beginnings of real negotiations on START-3. A logical continuation of such approaches is our latest proposal for the reduction of the nuclear stocks of Russia and the U.S. to 1,500 units and below. The creation of an effective global regime of missile non-proliferation is fully in accord with the strict strengthening of strategic stability. It should combine a global system of control over missiles and missile technologies, and measures for improving these procedures.

We also suggest broad co-operation in the field of so-called theatre missile defences. An element of such co-operation could be the Moscow Centre for the Exchange of Data on Missile Launches now being set up by Russia and the United States that must be open to all interested countries.

Russian values the responsible line being pursued by Canada on key issues of world politics. We closely co-operate in the Big Eight and in the United Nations. We actively collaborate in the field of peacemaking and the settlement of regional conflicts. Very many political figures of Canada call their country a "middle power," but Canada pursues, in fact, a global policy, and we're ready for co-operation in all areas.

Ladies and gentlemen, our countries have traversed a long and fruitful path of co-operation. Of course not all fields of our co-operation are activated as yet. We spoke of this with our Canadian counterparts during the last two days. Today I have tried very briefly to speak about the most important things in the development of our partnership. In practical terms, a lot depends on how we organise this work. I think it is appropriate to thank the Canadian government for the decision on the question of opening a consulate in your city. It is appropriate to recall that about 200,000 people, who consider Russian their native tongue, live here. We would very much like to open an additional consular agency in Canada for those people who link part of their life with Russian culture and Russian language, for those who are interested in Russian social life and for those who have economic and business interests in our country. This would intensify ties between Russia and Canada.

I want to thank you for your attention and express the hope that our co-operation will be effective and of benefit to the peoples of the two states.

Thank you very much indeed.

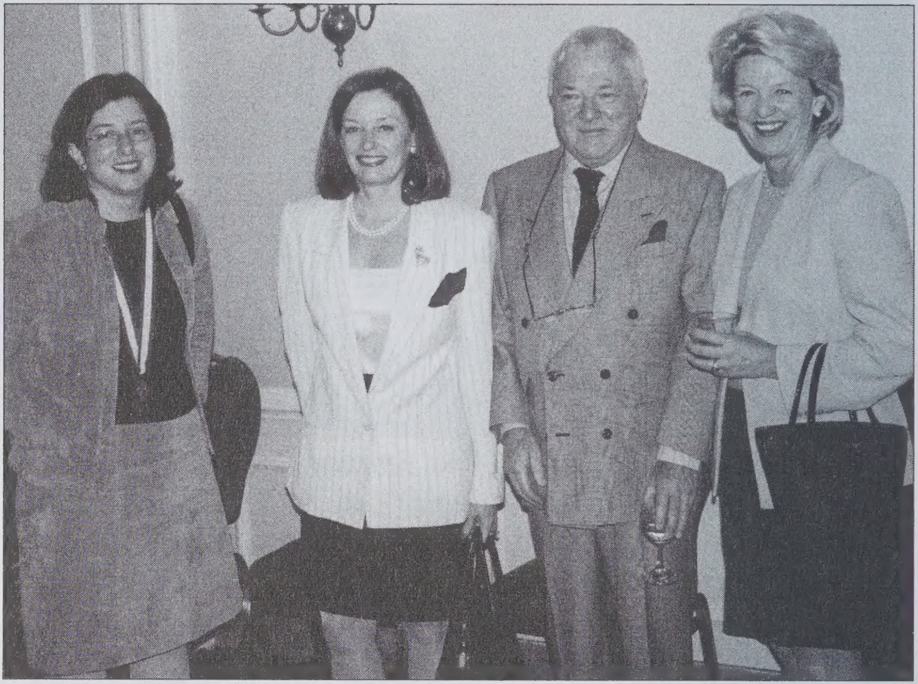
The appreciation of the meeting was expressed by Marilyn Linton, President, The Canadian Club of Toronto and Health Editor, The Toronto Sun.

His Excellency Mr. Vladimir V. Putin, President of the Russian Federation and Catherine Steele, President, The Empire Club of Canada and Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Ltd.

Colin Wickham, Administrator Assistant, The Empire Club of Canada, Debbie Testa, Administrator, The Empire Club of Canada and Major William (Bill) Duncan, Honorary Director and Chairman of the Reception Committee.

Catherine Steele, President, The Empire Club of Canada and Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Ltd. and Julian Fantino, Chief of Police, Toronto Police Services.

Maureen Quigley, President, Maureen Quigley & Associates, Jeff Lozon, President and CEO, St. Michael's Hospital and Catherine Steele, President, The Empire Club of Canada and Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Ltd.

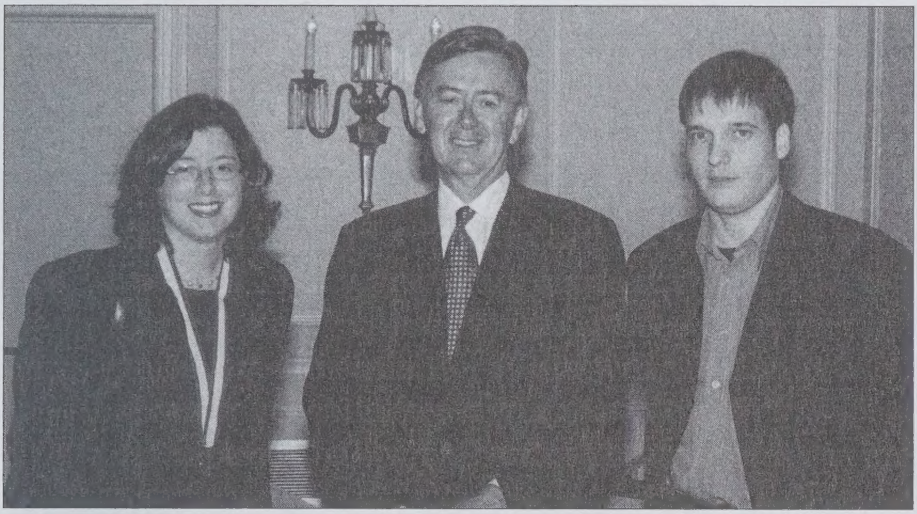


Catherine Steele, President, The Empire Club of Canada and Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Ltd., Anne Libby, Private Art Dealer and Director, The Empire Club of Canada, Allan Fotheringham, Author and Columnist and Gwyne Willmot, LVO, AdeC, and Director, The Empire Club of Canada.

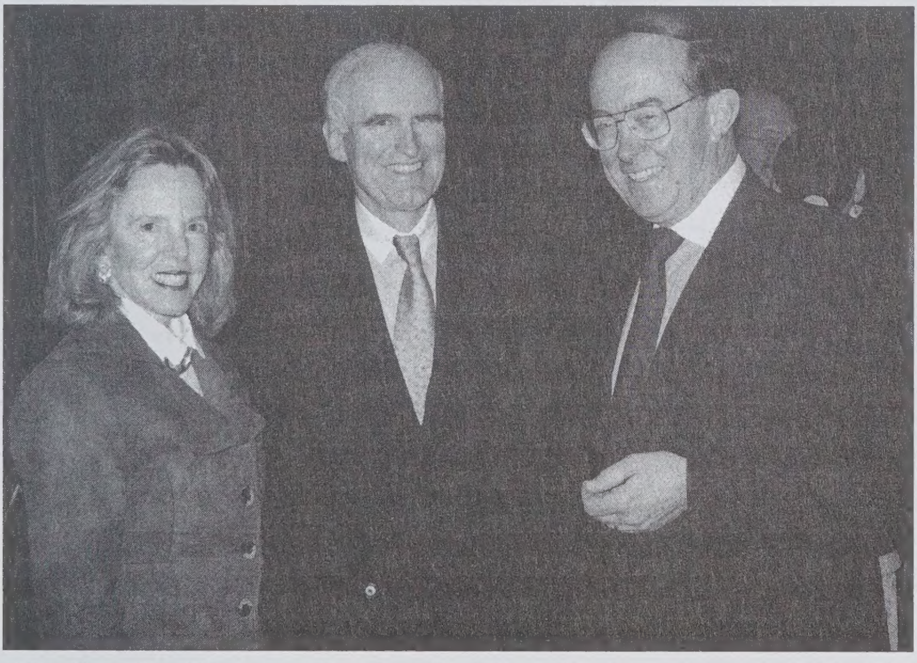
George Anderson, President and CEO, Insurance Council of Canada and Director, The Empire Club of Canada, L.Col. A. G. (Sandy) Cameron, O.St.J., C.D., AdeC, Director, The Empire Club of Canada and Kelly Shaughnessy, Vice-President, Banking Operations, Canadian Bankers Association..

Ann Curran, Second Vice-President, The Empire Club of Canada and Willis L. Blair, Vice-Chairman, Toronto East General Hospital Foundation and Director, The Empire Club of Canada.

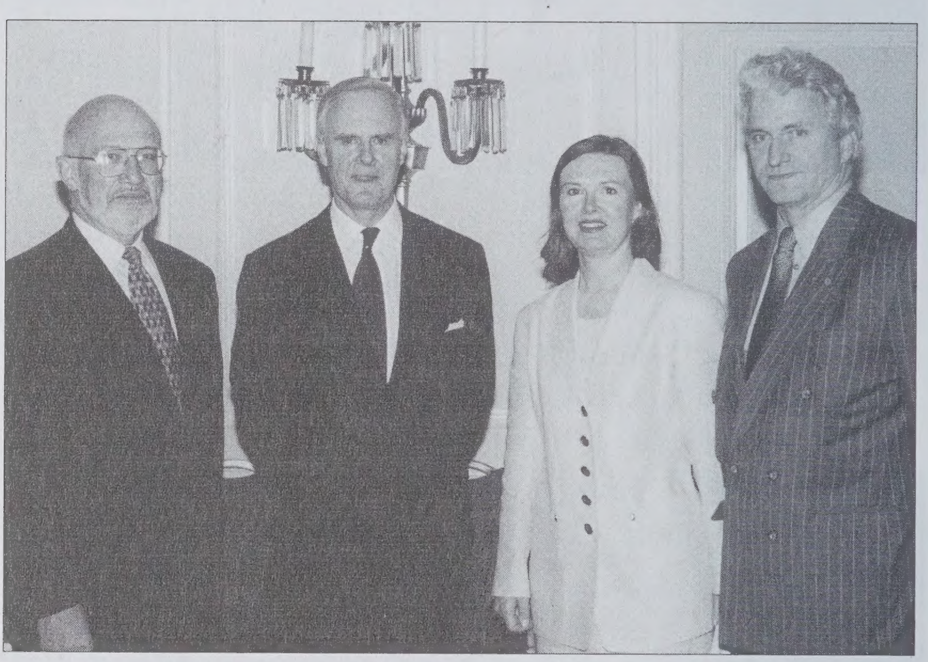
Left to right: Lillian Seymour, Jocelyne Monty, Nona Macdonald, Suzanne Weiss, Marilyn Baillie, Anna Stahmer, Cathy Sheridan, Sandra Faire, Elizabeth Currie and Sylvia Cape.



Catherine Steele, President, The Empire Club of Canada and Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Ltd., Preston Manning, Member of Parliament, Calgary Southwest and Candidate for Leadership of the Canadian Reform Conservative Alliance Party and Andre Turcotte, President and CEO, Feedback Research Corporation and Pollster, The Canadian Alliance Party.



Marilyn Baillie, A. Charles Baillie, Chairman and CEO, TD Bank Financial Group and Harry T. Seymour, Partner, GBC Asset Management Inc. and Past President, The Empire Club of Canada.



Charles C. Black, Senior Advisor, Insurance Operations, Canadian Life and Health Insurance Association, John R. V. Palmer, BA, FCA, Superintendent of Financial Institutions, Sarah J. E. Iley, President and CEO, The Council for Business and the Arts in Canada and George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.

John A. McNaughton, President and CEO, The Canada Pension Plan Investment Board and Past President, The Empire Club of Canada, Jean C. Monty, Chairman and CEO, BCE Inc. and Harry T. Seymour, Partner, GBC Asset Management Inc. and Past President, The Empire Club of Canada.

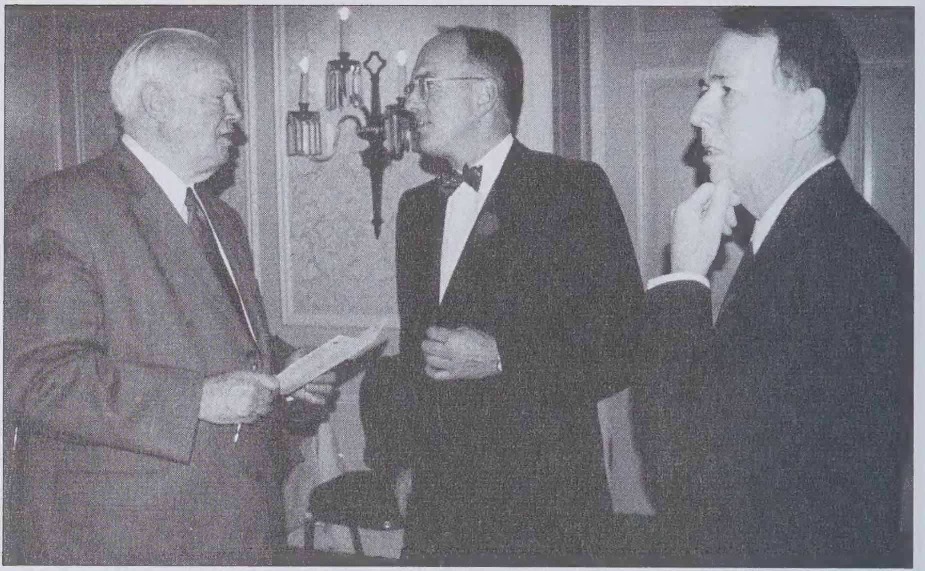
Catherine Steele, President, The Empire Club of Canada and Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Ltd., William D. Laidlaw, First Vice-President and President-Elect, The Empire Club of Canada and Hazel McCallion, Mayor, the City of Mississauga.

Willis Blair, Honorary Director, The Empire Club of Canada and The Rev. Kim Beard, Rector, Christ Church, Brampton and Director, The Empire Club of Canada.

Michael Fleming, Director, Health Care Policy and Strategic Relations, SmithKline Beecham Pharma, Catherine Steele, President, The Empire Club of Canada and Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Ltd. and Jim O'Brien, CEO, Canadian Diabetes Association..

John McCallum, Liberal Candidate, Markham, The Hon. Barnett Danson, PC, OC, Honorary Director, The Empire Club of Canada and Willis Blair, Director, The Empire Club of Canada.

Clare Cowan, Chair and CEO, Goldcare Industries Inc. and Gregory P. King, Senior Partner, Gowling LaFleur Henderson.



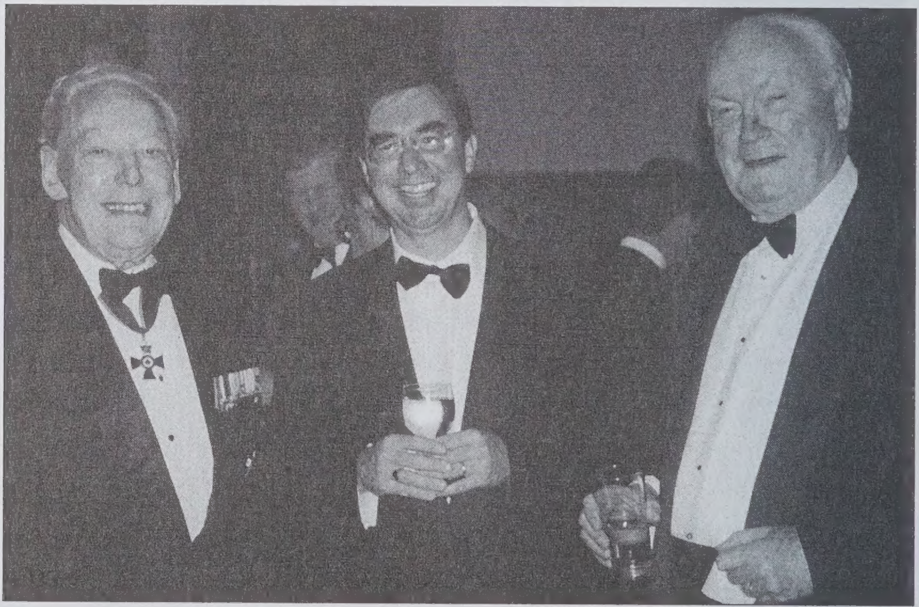
Willis Blair, Honorary Director, The Empire Club of Canada, Stephen LeDrew, President, Liberal Party of Canada and Senior Partner, LeDrew Laishley and Reed and Gregory P. King, Senior Partner, Gowling LaFleur Henderson.

David Crane, Economics Editor, The Toronto Star and John McCallum, Liberal Candidate, Markham.

Jocelyn Badovinac, The Rt. Hon. The Lord Mayor of the City of London, Alderman Clive Martin, OBE, TD, DL and Edward P. Badovinac, Chairman, The Good Neighbours' Club of Toronto, Director, The Empire Club of Canada and Director and Chairman, The Empire Club of Canada Yearbook.

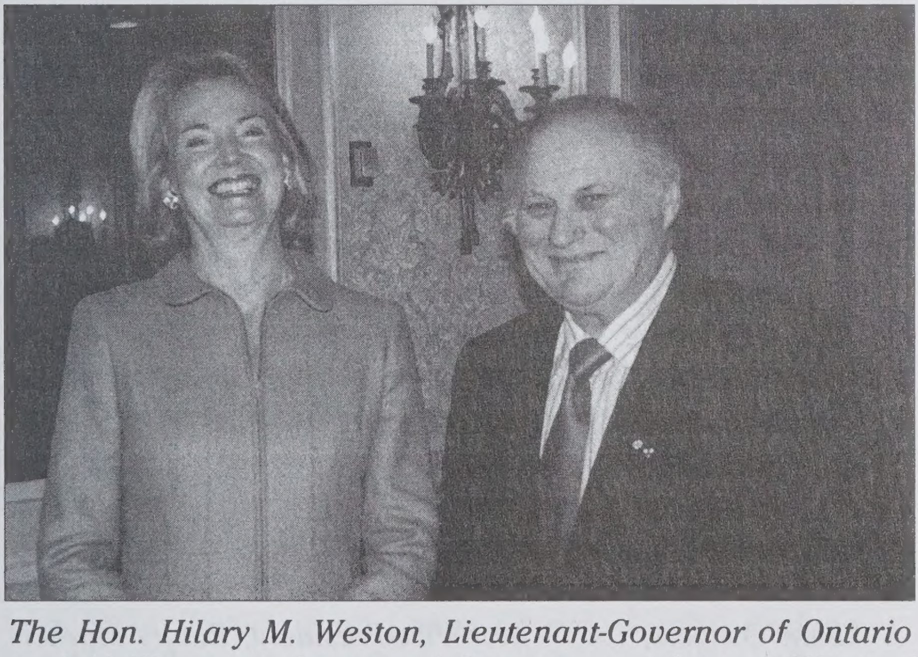
Pierre Lassonde, President and Co-CEO, Franco-Nevada Mining Corporation Limited and Marcel Aubut, Senior Partner, Heenan Blaikie Aubut.

Tony van Straubenzee, Managing Director, Russell Reynolds Associates and Past President, The Empire Club of Canada and Nona Macdonald, Past President, The Empire Club of Canada.



M.Gen. Bruce Legge, CM, KStJ, ED, CD, QC, Partner, Legge & Legge and Past President, The Empire Club of Canada, John C. Koopman, Partner, Heidrick & Struggles and Third Vice-President, The Empire Club of Canada and Willis Blair, Honorary Director, The Empire Club of Canada.

Liane Niles, Spouse of Reverend Dr. John Niles, Reverend Dr. John Niles, Victoria Park United Church, both winners of the First Empire Club of Canada "Recognition" Award and The Hon. Hilary M. Weston, Lieutenant-Governor of Ontario.



The Hon. Hilary M. Weston, Lieutenant-Governor of Ontario and Al Waxman, Actor and Director and Star of "King of Kensington" and "Cagney & Lacey."

Jeffrey Waldman, CFA, Vice-President, Fixed Income, TAL Global Asset Management Inc., William Sterling, Chief Investment Officer, C. I. Global Advisors, LLC, Catherine Steele, President, The Empire Club of Canada and Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Ltd. and Ian Joseph, CFA, Vice-President and Portfolio Manager, Altamira Management Ltd.

J. Adam Conyers, CA, Senior Vice-President, Equity Markets, The Toronto Stock Exchange and Francois Du Plessis, CEO, HSBC Securities Canada Inc.

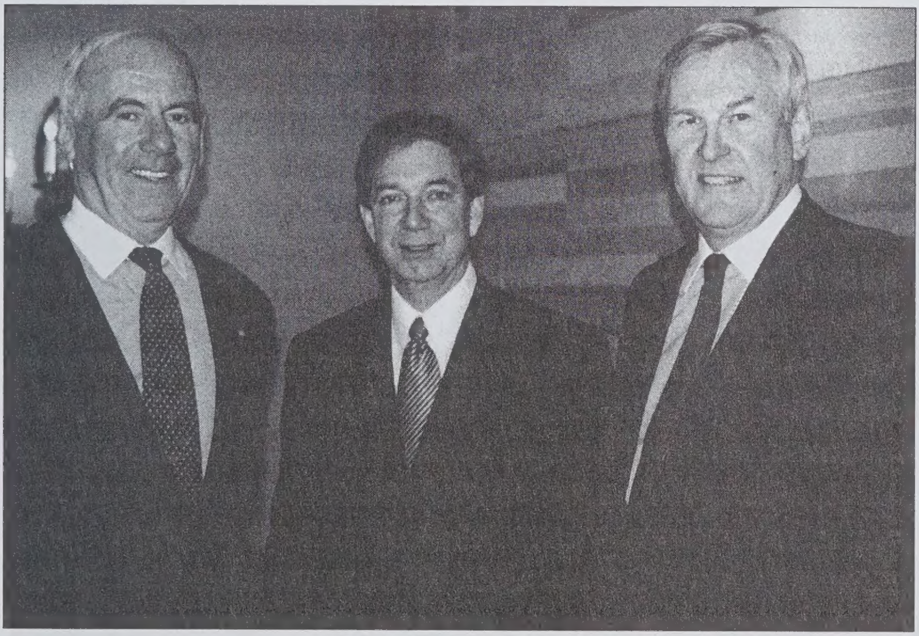
Julie Hannaford, Partner, Borden Ladner Gervais LLP and Past President, The Empire Club of Canada, Tom Closson, President and CEO, University Health Network and L.Col. A. G. (Sandy) Cameron, Director, The Empire Club of Canada.

Edward P. Badovinac, Chairman, The Good Neighbours' Club of Toronto, Director, The Empire Club of Canada and Director and Chairman, The Empire Club of Canada Yearbook, Rev. Dr. John Niles, Victoria Park United Church, Jocelyn Badovinac and Alyssa Titus, Honour Student and President, Music Council, North Toronto Collegiate Institute.

Martha Billes, Majority Shareholder and Director, Canadian Tire Corporation Limited and Edward P. Badovinac, Chairman, The Good Neighbours' Club of Toronto (a day centre for older, homeless and unemployed men), Director, The Empire Club of Canada and Director and Chairman, The Empire Club of Canada Yearbook.

The Hon. Hilary M. Weston, Lieutenant-Governor of Ontario and The Most Rev. Terence E. Finlay, Archbishop of the Ecclesiastical Province of Ontario, Anglican Church of Canada, Archbishop of The Diocese of Toronto Anglican Church and Honorary Chaplain, The Empire Club of Canada.

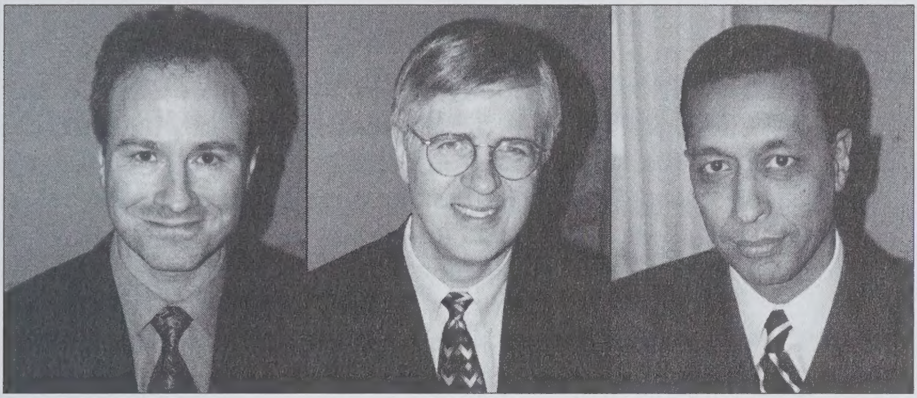
John C. Koopman, Third Vice-President, The Empire Club of Canada and Partner, Heidrick & Struggles, Christopher Bunting and Maureen Sabia, Director, Canadian Tire Corporation Limited.



Charles S. Coffey, Executive Vice-President, Government and Community Affairs, The Royal Bank of Canada and Director, The Empire Club of Canada, The Hon. Patrick George Binns, Premier, Prince Edward Island and The Hon. Michael H. Wilson, Chairman and CEO, RT Capital Management Inc. and Former Minister of Finance for the Government of Canada.

Rev. Dr. John Niles, Victoria Park United Church, L.Col. A. G. (Sandy) Cameron, OStJ, CD, AdeC, Director, The Empire Club of Canada and Catherine Steele, President, The Empire Club of Canada and Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Ltd.

George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada and Borden Rosiak, CFO, Toronto's Bid for the 2000 Olympics.



January 11, 2001

Jeffrey Waldman

Vice-President, Fixed Income,
TAL Global Asset Management Inc.

William Sterling

Chief Investment Officer, C.I. Global Advisors LLC and
C.I. Mutual Funds Inc.

Ian Joseph

Vice-President and Portfolio Manager, Canadian
Equities, Altamira Management Ltd.

ANNUAL FINANCIAL FORUM

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Margaret M. Samuel, CFA, Equity Analyst, Royal Bank Investment Management Inc. and Director, The Empire Club of Canada; Eric Tripp, Executive Managing Director, Equity Division, BMO Nesbitt Burns Inc.; Joe Oliver, President and CEO, Investment Dealers Association; Robbie Pryde, CFA, Vice-President and Director, TD

Newcrest; Chuck Powis, CFA, Managing Director, Institutional Bond Sales, RBC Dominion Securities Inc.; The Hon. Tom Hockin, PC, President and CEO, Investment Funds Institute of Canada and Director, The Empire Club of Canada; Grant Kerr, Associate Minister, St. Paul's United Church, Brampton; Blake C. Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada; J. Adam Conyers, CA, Senior Vice-President, Equity Markets, The Toronto Stock Exchange; Francois Du Plessis, CEO, HSBC Securities Canada Inc.; Andre Brosseau, Director, Institutional Equity Sales, CIBC World Markets Inc.; and Gerald C. Throop, Executive Vice-President and Managing Director, Equity Markets Group, Merrill Lynch Canada Inc.

Introduction by Catherine Steele

It is my privilege to welcome our guest speakers, Jeffrey Waldman, Ian Joseph, and William Sterling.

To borrow a phrase from a song made famous by the Beatles, "The best things in life are free, but you can keep them for the birds and bees. I want money."

Given everything that is currently happening with the markets, the economy and predictions on the economy, today's Empire Club financial forum couldn't be more timely. Our financial forum has become an annual tradition having noted financial experts share their insights and help us make some sense of what is happening in the markets.

Today, we have three eminent speakers who will share their views with us in succession. Each speaker will have a maximum of 12 minutes.

Our first speaker is Jeffrey Waldman, Vice-President, Fixed Income, TAL Global Asset Management Inc. Mr. Waldman joined TAL in 1998 and not only contributes to overall strategy but is responsible for strategy implementation and trading.

Our second speaker, Ian Joseph, is Vice-President and Portfolio Manager, Canadian Equities at Altamira Management Ltd. He is the Lead Manager of the Altamira Capital Growth Fund and the Altamira Dividend Fund.

Our third speaker, Bill Sterling, Chief Investment Officer, CI Global Advisors, founded CI Global Advisors and is the co-author of *Boomernomics*, a book advising how to integrate demographics and investing.

Ladies and gentlemen, please welcome our first speaker, Jeffrey Waldman to The Empire Club of Canada.

Jeffrey Waldman

It is my pleasure to be here today to speak about the fixed income market, particularly in light of the fact that bonds were the best-performing asset class in the year 2000, exceeding the returns on stock markets in Canada, the U.S. and all other major international exchanges.

I'll begin with a quick recap of some fixed-income highlights from last year, then I'll put our current level of interest rates in historical perspective. Next I'll point out two themes, which will dominate bond markets over the coming years, and present our outlook for this year. I will conclude with a potential movie sequel to watch for in the year 2001.

While the year 2000 was satisfying from the standpoint of bond market returns, market conditions were anything but straightforward and ordinary. We had to contend with all these events over the past year. The U.S. Treasury announced in January that it would be buying back $30 billion of outstanding bonds and issuing fewer 30-year bonds in the year 2000. During the year, the yield curve inverted, then normalised again; the 10-year bond overtook the 30-year bond for benchmark status; the market priced in significant rate hikes by the Federal Reserve and Bank of Canada, then significant rate cuts; and finally, corporate bonds got hit from economic concerns and event risk. And that brings us to where we are today, with 10-year Government of Canada bonds yielding 5.25 per cent.

Interestingly, when one compares the 5.25-per-cent yield today to government bond yields over the past 200 years in North America, we find that 85 per cent of the time yields stayed within a range of 3 per cent to 7 per cent. There have only been a couple of instances when yields fell below 3 per cent or rose above 7 per cent for an extended period of time. So today, we are practically right in the middle of that very popular range.

Our own city of Toronto issued its first bond back in 1874. It came with a yield of 6 per cent. Here we are 127 years later and City of Toronto bonds are still yielding just under 6 per cent!

Over the coming decade, there are two dominant themes, which will bring secular interest rates down—down to the lower half of that long-established 3-per-cent to 7-per-cent range.

First, inflation will become less of a factor in determining bond yields, as investors get accustomed to lower inflation volatility. Remember that prior to 1970, inflation was practically irrelevant in determining the levels of bond yields, even though there were periodic outbreaks of double-digit inflation over the past 200 years. North America has not experienced anywhere near double-digit inflation for 20 years. When the market begins to recognise that the inflation volatility from 1974 to 1982 was indeed an anomaly, bond yields will move lower.

The second theme that will help drive secular interest rates lower in the coming decade is supply and demand. Official recognition of the need for fiscal responsibility will continue to reduce the supply of government bonds. In the past 200 years of U.S. experience, a reduction in government supply has always been accompanied by lower interest rates.

Compounding this effect will be a demographic shift, which will increase the demand for bonds. As individuals get older, their tolerance for risk declines and they tend to seek out lower risk assets such as bonds. As the collective population ages, the liability profile of pension funds will get shorter. Equities are considered more of a long-term asset than bonds. So to maintain the match between the new shorter pension fund liabilities and the assets funding those liabilities, pension funds will gradually shift a portion of their portfolios away from equities towards bonds.

But those are the secular themes that will dominate in the decade ahead. What about the cyclical outlook for the bond market in 2001? Well let's begin with a quote and see if you recognise which American politician said this and when. "We're in a slowdown economically in this country, if not recession."

Although it sounds like President-elect George W. Bush in January 2001, it was actually President George Bush in January 1991! Little did President Bush know that just two months later the U.S. economy would begin the longest period of uninterrupted economic growth in its history.

By law, the Federal Reserve is responsible for maintaining what is referred to as "sustainable economic growth" and stable prices. To accomplish this, we expect to see in the order of 100–150 basis points of easing this year from the Federal Reserve and 50–100 basis points of easing from the Bank of Canada. This should be sufficient to maintain a growth level in the economy that is sustainable, even if it isn't as spectacular as we have witnessed in the past few years. This slow-growth scenario is our highest-probability outcome for 2001.

Based on this scenario, 10-year bond yields should bottom out in the area of 5 per cent to 5.25 per cent. Over the course of the year, the 10-year yield should trade in the range of 5 per cent to 6 per cent.

Areas of the bond market that should outperform this year are corporate bonds which are currently priced for a recessionary environment and not the 2001 economy we expect. In particular, the balance sheets of many issuers in the banking and financial sectors are in much better shape than they were a decade ago. Long bonds have the most room to outperform this year. That's because the market will again be notified by the U.S. Treasury that the amount of 30-year bonds issued in 2001 will be lower than last year, and more outstanding bonds will be repurchased. The supply of bonds will diminish this year even if a package of tax cuts is implemented in the U.S.

Areas which could lag this year include corporate bonds in the telecommunications and real estate sectors. The former because the sector is undergoing a metamorphosis and the latter because of where we are in the real estate cycle. Real return bonds could also lag after performing very well over the past couple of years. They have become expensive recently due to some short-term excess demand. The yield curve may steepen a little bit more in the two-year to 10-year area as the Bank of Canada embarks on a programme of easing interest rates. But most of the steepening has already taken place.

I will now conclude with a movie sequel to watch for in 2001. In *Cast Away Again*, the sequel to *Cast Away*, Tom Hanks makes a new start with UPS and gets back together with Helen Hunt. With the Nasdaq trading at 5000 in March of 2000, Tom invests his entire retirement savings plan in a Nasdaq index fund then heads out on a business trip to fix a problem half way around the world. Well, as bad luck would have it, he meets misfortune and is stranded in the outback of Australia. After surviving on his own for four years, he is finally rescued in 2004. Returned to the U.S. he is devastated to discover, not that Helen left him for another man, but that the Nasdaq is still below 5000, and the average bond fund is up 35 per cent during the time poor Tom was away. The movie ends with Tom looking lost and wondering why he didn't invest some of his retirement savings in a bond fund.

Thank you for your attention, and may you have a prosperous 2001.

Ian Joseph

Good afternoon Madam President, ladies and gentlemen. It has been my standard practice when asked to foretell events in the equity market, to predict a return of 12 per cent for the year ahead and leave it at that. This type of forecast is mercifully brief and conveniently close to the long-term average return on stocks. Significant deviations in any year therefore give rise to much congratulatory back-slapping or remorseful hand-wringing—neither conducive to recalling forecasts. Clearly, this tactic will not fly today. I now have nine of my allocated minutes left and if the first days of January are to be the barometer for the rest of the year, 12 per cent up or down could be the average weekly or even daily return.

I think it only fair to run up my colours immediately. I am by nature an optimist; I am an immigrant to Canada, who, 30 years on, is still filled with awe as to the seemingly inexhaustible energy and potential of this continent. Lastly, and most germane to this declaration, I am by profession a mutual fund manager who, along with my colleagues, is long a lot of stocks on behalf of our unit holders. Market catastrophe therefore is not part of my lexicon today, nor do I believe all the gloomy prognostications of the ink-stained wretches and finger-wagging 'I told you so-ers,' who along with the short sellers have ruled this bleak winter so far. Make no mistake, the events of the last quarter have been bruising for many investors, especially those who share my penchant for growth stocks. But I see the declines as cathartic, as something of a 'market-cleansing.' So sanguine a view will not be universal, especially amongst those with large undiversified holdings in positions down 75 per cent or so.

But there are some salubrious effects to this correction besides the obvious one that some fine companies can be acquired at less than half the price at which they were offered six months ago. For instance, do you recall those cocktail party bores who would corner you to provide intimate detail of their portfolios; the wizards who had bought gobs of technology stocks while you were busy grocery shopping? They won't be bothering you for a while.

And the obnoxious kid from down the street—the one who repeatedly dented your car with his bicycle. There's no need to worry that he will be announced on the front page of the newspaper as the latest instant dot-com billionaire.

And finally you can stop feigning familiarity with all those annoying acronyms like CDMA and ESMR and not feel social pressure to litter your conversation with references to ‘space,’ ‘bandwidth’ and ‘switched multi megabit data services.’

Most market commentaries today suggest that what we are living through is the end of the cycle. Some even suggest that it is the end of an era. Winston Churchill referring to a crisis of considerably more gravity once said: “This is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.”

So it is with this dramatic, even revolutionary period in the development of the global economy. We are experiencing a cyclical contraction, engineered in part, by a U.S. Federal Reserve whose record at this monolithic task has been admirable.

The Fed initiated this process with a series of interest rate hikes two years ago, reasoning that the engine of global growth—the U.S. economy—was growing too fast for long-term stability.

The rate of the economy’s deceleration has scared the markets and provided the doomsday prophets with a ready platform, but it may prove useful to remember that the equity market has not been anything like a finely calibrated instrument for predicting the timing, duration or depth of a recession. In fact, some say the market has predicted eight of the last three recessions.

And what of the more secure conditions that have formed the basis for this long expansion? Have they been exhausted? Let us examine some of them.

1. Open markets and free trade have encouraged expansion by multinationals that have tapped efficient pools of labour and developed new markets.

2. Investment in technology has been widespread and based on economic rather than nationalistic objectives. The result has been a dramatic boost in global productivity.
3. We have an unprecedented degree of co-operation between central banks and world governments, which has served us well through the Asian, Russian and Brazilian crises in averting global disaster.
4. Never before in history have we been so able to export excess capital for investment without depending on armies and navies to defend it.
5. Risk hedges are more efficient than ever.
6. Finally, the potential for armed global conflict has been largely diminished. This last point bears some vigilance given the structure of Mr. Bush's retro-cabinet, but I think you will agree that rarely or never have global investors had conditions so hospitable. These favourable conditions, which have led to a decade of spectacular investment returns, are still largely in place.

And what lies ahead for the Canadian market? This much is certain. Life will be 'interesting' in the sense of the Chinese curse—varied and tumultuous.

I said aloud on the first day of the year that the TSE looked to be in need of divine intervention, to which one of the many wags in my office replied, "You will have to go higher than that; this market needs Greenspan."

And so it will be that at least for the next two quarters the TSE will follow the vagaries of the U.S. market, which in turn will be in thrall to every action of the Fed. This relationship will likely be even closer than in previous cycles, reflecting the changes in the composition of the TSE over the last five years favouring industrials and financials over natural resources.

History clearly instructs us that it does not pay to bet against the Fed. History also suggests that the markets 12 months from now will have recovered with contributions from most sectors. Now, if you are saying to yourself "that sounds too easy," you are right, because, markets may be repetitive under similar conditions, but always with a twist.

Through the course of this year, returns will be more broadly based, with more sectors participating than in recent experience. Companies with predictable and accelerating growth will command premium multiples and earnings revisions will abound. In other words, it looks like a year that will favour the nimble opportunist.

I anticipate a dramatic rally over the next two months, spurred by the Nasdaq, but expect that selectivity in the Canadian market will be critical.

The trend in research and allocation of funds between smaller markets has been towards a 'borderless' approach based on sector preference rather than country preference. This trend will continue in Canada with strong companies in strong sectors growing even stronger as prospects for cyclical recovery take hold.

I also foresee orphan status for more Canadian stocks as investors exercise their option to shift an additional 5 per cent overseas, consolidating what has become a more "continental" approach to portfolio construction.

If this just elicited a twitch of patriotic concern in anyone, I simply suggest that global competitiveness is the overriding criterion. I also suggest that as long as Florida remains the favourite choice for Canadian vacations, and *The New Yorker* publishes more stories by Alice Munro than anyone else we have a de facto continental union.

The united currency debate I will leave to Mr. Black and his antagonists, but if this were a forecast for the upcoming century, I would add that to the list of the inevitable.

I am strapping myself in for what promises to be a bumpy year. I anticipate volatility, I expect uncertainty and I am prepared to change my mind often. In this

'Perfect Storm' I am sure to seek safe harbour occasionally, but I will not abandon ship. My portfolio of choice will be well-capitalised, liquid and reflect a bias towards future growth. Here is a miniaturised version:

- Beginning with a bank, the CIBC because it is the cheapest of the majors, all of which should outperform as interest rates decline.
- In technology, Celestica for strong global revenue growth and for those of you with strong hearts, Research in Motion for dominance in the consumer wireless data market.
- For an underrated play on the Internet, the Thomson Corporation and for a strong oil and gas company with global assets, Talisman.
- Finally, for a dash of the 'continental' portfolio; Micron Technology and Lucent.

And what of Nortel, the stock that became a national obsession? Will things indeed "Come Together" as the advertisement urges or will John Roth become the "Nowhere Man"? I add Nortel to the portfolio because it will epitomise two of the years themes in the Canadian market: the first, earlier mentioned, that the strong will grow stronger and the second, that out of the current turmoil will emerge the greatest opportunity.

Thank you.

William Sterling

Madam President, ladies and gentlemen, good afternoon. I would like to thank you for the invitation to speak to you today.

I would like to introduce myself first and foremost as a recovering economist. I took a 12-step programme many years ago to re-orient my career into a more socially useful direction. But I learned where an investment strategist, which is my current career, fits in the pecking order of life when I was at a large Wall Street firm and was introduced by one of their senior executives. He started with a story about Albert Einstein because apparently Einstein when he went to heaven landed in a special section where they would put your IQ number under your cloud. He had 200 under his cloud and was floating around proudly when he bumped into a fellow with 175 on his cloud. He got pretty excited and said: "How do you do? I'm Albert Einstein. I look forward to talking to you about relativity theory and especially my unified field theorem." Well that was fine. He then bumped into another fellow with 150 on his cloud. Again he was pretty excited and thought that here was somebody he could speak to. He introduced himself and said: "I look forward to talking to you about prospects for world peace and justice." They had an erudite conversation about that topic. Well finally he must have drifted over into Forrest Gump's section of heaven and he bumped into a fellow with 75 on his cloud. He really didn't know what to say. He scratched his head for a minute and said: "What do you think the stock market is going to do this year?" That's my job. So I hope I picked my profession correctly.

What I'd like to do today is deliver what I think is a message of cautious optimism. The caution is for some obvious reasons and I'll focus on the outlook from the United States, which is where I'm from. I think the U.S. is fairly obviously flirting with recession, while the optimism part of the message will come from the fact that Alan Greenspan is on the case and certainly has indicated a willingness to cut rates very quickly to deal with this. The reality is it may take many months, six or 12 months, before rate cuts that we've had recently actually deliver a rebound from the valley. So the questions are: "How deep is the valley?" "How long is the valley?" And I think it's fair to say nobody knows.

Let me talk first about the signs. That nasty "r" word has been used among the economists who, as was pointed out, have correctly anticipated nine of the last four recessions or something along those lines. But I like to look at both financial indicators and real economy indicators and when they are all pointing in the same direction you know something is up or down as the case may be.

If we look at financial-sector indicators, the most important leading indicator of the U.S. economy (and this has been confirmed by a great deal of academic research) seems to be the shape of the yield curve in the United States—the gap between short-term interest rates and long-term interest rates. When long-term interest rates fall sharply relative to short-term interest rates (the yield curve is inverted), that has often been a sign of a recession on the horizon.

We had a situation over the last four weeks where the average spread between three-month treasuries and 10-year government bonds was about 70 basis points, 0.7 per cent. The Fed itself in its New York branch had done research in the past and that research suggested that much of an inversion of the yield curve would be associated with 40 to 50 per cent probability of recession. So Greenspan was getting a pretty strong signal of danger ahead for the economy, not to mention the fact that when stocks are also down more than 20 per cent from the peak that too is a warning signal.

If you look at the real economy side, we saw a number of indicators which clearly have in the last few months slid into recession territory. One is the National Association of Purchasing Managers survey which hit 43.7 per cent and typically any reading under 45 per cent in the past has been associated with recessions. We also have unemployment data with initial unemployment claims in the United States up roughly 23 per cent from a year ago. If you look historically that type of sharp jump in initial unemployment claims has usually been associated with the beginning of a recession.

In the post-war period, there were five such episodes, where all four of the variables I've talked about—the stock market, the yield curve, National Association of Purchasing Managers survey and the unemployment data—all pointed in the same direction with the same severity. Four of those five times there was in fact a recession. In one instance, when LBJ was president in 1967, you had those same indicators. LBJ pulled the chairman of the Fed into his office and said: "We are not going to have a recession, are we?" The Fed cut rates 175 basis points in four months and you ended up with one-quarter decline, not a recession. So I think there's some hope right now that that can be the case. Certainly the Fed is being very aggressive. But I think the Fed also has to contend with the fact that the labour market is still extremely tight, 4-per-cent unemployment. There are certain industries like energy where capacity utilisation is still high. I don't think that will deter the Fed from easing but the reality is anything they do now may not show up in the economy for six months or so.

I think what we have now is a tug of war in the market between what could be a very unsettled earnings environment for certainly the next couple of quarters laid against the very very good news that the Fed is easing. The two big negatives that hit the world economy, not just the U.S. but all the global markets in the 2000—higher interest rates by central banks around the world and higher oil prices—are now in the process of being reversed. I think that's very good news and it's probably going to be very good news for interest-rate-sensitive sectors like financials and housing.

I think the real question that the beach movie episode raised earlier is: "What does it mean for the Nasdaq and technology?" Is Fed easing going to revive a bunch of failed dot-coms? Is Fed easing going to help telecom companies that are struggling with excess capacity or excess debt immediately? We don't think so. The fund flows into the technology sector have been extreme. I am tempted to believe that when you look at the history of the last decade what we've had was a rotation of money into one emerging market or another. It rotated into the Latin American emerging market in the early 90s. Then we had a problem in Mexico in 1994 and Latin America more generally. When the Fed eased in '95, it helped a lot of markets but it wasn't immediately a great thing for Mexico because they were experiencing a recession. Asia had its turn in the later 90s. Again the response was easing but initially those regions still had to contend with sharp economic sell-offs. So it may be the case that the Fed eases will be great for the old economy sectors. We think it will lead to a weaker U.S. dollar but we're not necessarily expecting it to deliver a huge rebound in technology which continues to experience, as was just indicated, extraordinary levels of volatility.

The volatility on options on the Nasdaq exchange have been running close to 50 per cent per annum which says that people who are paid to bet think there is a one-third chance that the market will be up 50 per cent or down 50 per cent over the next 12 months. That means the markets have no idea. There is just an enormous range of uncertainty here. From an asset allocation perspective that means the potential for reward still has to be balanced against substantial risk.

So in general, we do think that ultimately the Fed will be successful. I would guess that the Fed funds rate, which was just brought down to 6 per cent recently, could end the year somewhere in the 4- to 4.5-per-cent range. We think interest rates will probably come down more than what now is currently priced into the yield curve and we think that will be very good news for many sectors of the stock market. We think it will be good news for investors looking offshore from the United States where stodgy old economy markets like Europe may look more attractive in comparison.

With that, I'm going to conclude, but I was just want to end with one bit of wisdom I learned from having spent five years in the Far East in the early part of my career. Man who make living with crystal ball sometimes eat crushed glass. Thank you.

The appreciation of the meeting was expressed by Blake C. Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada.

Edward P. Badovinac, Chairman, The Good Neighbours' Club of Toronto, Director, The Empire Club of Canada and Director and Chairman, The Empire Club of Canada Yearbook, Jocelyn Badovinac and Blake C. Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada.

January 19, 2001

Charles E. Cook, Jr.

Author and Publisher, *The Cook Political Report*

THE 2000 U.S. PRESIDENTIAL ELECTION

Chairman: **John C. Koopman**
Third Vice-President, The Empire Club of Canada

Head Table Guests

Bart J. Mindszenthy, APR, FCPRS, Partner, Mindszenthy & Roberts Communications Counsel and Director, The Empire Club of Canada; The Rev. Stephen Drakeford, Associate Priest, St. Matthew's Anglican Church, Islington; Anton Vidgen, Grade 12 Student, Western Technical-Commercial Collegiate Institute and Secretary-Treasurer, Toronto District School Supercouncil; Shauneen Bruder, Senior Vice-President, North American Markets, Personal and Commercial Banking, Royal Bank of Canada; Charles S. Coffey, Executive Vice-President, Government and Community Affairs, The Royal Bank of Canada and Director, The Empire Club of Canada; and Janell Blue, Vice-President and President-Elect, Canadian-American Business Council and Senior Vice-President, International Group RIGGS National Bank.

Charles Cook

Thank you very much John for that introduction. It really is an honour to be asked to speak before such a prestigious group as the Empire Club. I also want to thank the Canadian-American Business Council, which is doing a terrific job in Washington watching out for Canadian interests and cultivating a closer relationship between our two countries. I also want to thank the Royal Bank.

I started dealing with Canadians long ago when Derek Burney was the Ambassador to Washington and he was probably one of the biggest political junkies I've ever met. About every three or four months I would get an invitation to come to the Embassy and the two of us would have lunch in his dining room with a phenomenal view of the Capitol. No other embassy in Washington has a location with such a beautiful view of the Capitol Building which has the appearance of a wedding cake. He wouldn't let the staff in because he wanted to talk about American politics. I think he probably knew as much about American politics as most of the people who dole out millions of dollars for political action committees in the U.S.

My background was all on the democratic side. I had worked in Democratic party politics and campaigns, worked on Capitol Hill and then I found myself voting for Republicans about half the time. This is in poor taste if you are working for the Democratic party. I wasn't becoming a Republican. I was just becoming a swing voter. It was before Dick Morris made it fashionable to work both sides simultaneously. I tried to figure out how to stay in politics but not work for either side so I started a political newsletter.

My primary qualification for being a political analyst is the fact that I was born and raised in Louisiana where politics is in our blood and culture. Huey Long was our governor back in the 1930s and Huey didn't go to Louisiana State University, but he was a huge LSU football fan. One year he was trying to convince the Louisiana State Legislature to appropriate money for the expansion of the football stadium in Baton Rouge. The legislature was in an obstinate mood that year and refused to do it, but the governor noticed that they did appropriate some money for a new dormitory. So he had them build a horseshoe-shaped dormitory around the perimeter of the existing football stadium. He then had them put seats on the roof of the dormitory facing inward. To this day if you go to Baton Rouge, Louisiana, you will find that Tiger Stadium is also a functioning dormitory.

A few years after that, his brother, Earl Long was our governor. Some of you may have seen the movie "Blaze" with Paul Newman that came out a few years ago about Earl and his relationship with a stripper from Baltimore named Blaze Starr. The best part of the movie, and this part was absolutely historically accurate, was how Earl Long was committed to an insane asylum while he was governor and how he got out. He fired the state commissioner of hospitals and then put in a new one who discharged him from the insane asylum.

A few years after that Jimmy Davis, the Country and Western singer and songwriter, was our governor. He is famous for the song "You are My Sunshine." Now most people assume that Sunshine was his wife or sweetheart but Sunshine was his horse. When Jimmy Davis became governor he wanted his horse to see his office. He brought his horse up the 48 steps into the State Capitol Building and into the governor's office. Someone at the time noted it was the first time they had ever had an entire horse in the governor's office.

I just wanted to give you an idea of where I learned my politics before I came to Washington 28 years ago.

This is truly a fascinating year in politics in America and around the world putting aside the close election. We saw a dead man elected to the U.S. Senate in Missouri. According to this morning's *New York Times* a half dozen eunuchs have been elected to public office in India. The idea is that they generally don't have homes, don't have cars and are not having children. They're probably therefore not likely to steal from the government, which is certainly an interesting concept. In fact the current governor of Louisiana is a multi-millionaire and that's pretty much the reason why people elected him. They figured he was too rich to steal. Anyway it's been a fascinating year in American politics. Personally I think that overtime is best for basketball; not for elections.

This was an election between George Bush who speaks English as if it's his second language and Al Gore who speaks English as if it's your second language. A fascinating year.

I want to talk briefly about what happened in the election and then look forward to the Bush administration in the next couple of years. I think there are four things that jump out as really important in this election.

The first is that the United States is a country amazingly evenly divided between the two parties right now. We are a country that is split right down the middle no matter how you look at it. For example, the popular vote: 49 per cent Gore, 48 per cent Bush. The electoral college vote: 271 Bush, 267 Gore. The U.S. Senate: 50, 50. The House of Representatives: 51, 49. State Legislative Chambers: Republicans hold both Chambers in 17 States and Democrats hold both Chambers in 16 States with 16 more being split. State Legislative seats around the country: there are six or seven thousand State Legislators with fifty-one per cent of them Democrats and 49 per cent Republicans. Only in governorships do we have a lopsided ratio where Republicans still have a big advantage.

NBC and *The Wall Street Journal* released a survey this morning that indicated that if an election were held again today, George Bush would get 43 per cent of the vote and

Al Gore would get 43 per cent of the vote. This is a country that is split straight down the middle. Having said that, this was one of the most partisan elections we have ever seen. Al Gore received 86 per cent of the vote among people who call themselves Democrats. There were very few defectors to Bush. George Bush got 91 per cent of the Republican vote. Very few Republican defectors to Gore. The parties held firm. And then an independent split—47 per cent for Bush; 45 per cent for Gore. The reason the math works out that way is that there are simply more Democrats than Republicans so it evened out to the 48, 47 popular vote.

The second important thing is, as in all elections, this was a choice between continuity and change. People were split straight down the middle about whether there should be continuity or change. If you think back over the last eight years, what have we gone through in the United States? Back in 1993, after Clinton was elected, Democrats had control of the House and the Senate. And what happened? It's as if Democrats loaded up in buses and they drove to the left as far and as fast as they could, going off a cliff crashing and burning. The cliff was the 1994 election where Democrats lost control of the House. They lost control of the U.S. Senate, which they had controlled for 34 out of 40 years. And then after that election Republicans took over Capitol Hill and started moving to the far right almost going off the cliff in that direction losing seats, losing the Presidency in 1996 again and losing seats in the House of Representatives and the Senate. Then they started moving back towards the centre. So both parties moved back towards the centre with Clinton and the Democrats occupying the central-left position and Republicans and Congress occupying the centre-right position, each one having previously gone out to the extremes. You had a centre-left Democratic President kept in check by a centre-right Republican Congress and a centre-right Republican Congress kept in check by a centre-left Democratic president. In the end they couldn't decide on a lot of things. They couldn't decide on what kind of tax cuts to give us so they didn't give us a lot of deep tax cuts. They couldn't decide on a lot of big domestic spending so we didn't expand domestic spending by a significant amount. And given the growing economy a budget deficit evaporated, budget surpluses went through the roof and voters thought this was good. Certainly a lot of voters would like to have seen us spend more money on education, or more money on defence, or cut taxes more, but the second choice for the vast majority of these voters was simply to eliminate the deficit and to start knocking out the national debt. And that's exactly what happened. Voters were very, very satisfied with this sort of centrist government.

But on the other hand, they were looking for change on another level. They were sickened by the endless scandals. They started with Jennifer Flowers and culminated with Monica Lewinsky. They were just tired of it all. While Clinton's job approval rating ran from 60 to 66 per cent approval of the job he did as president, when you asked people whether they approved or disapproved of him as a person, his disapproval rating was 60 to 65 per cent.

People wanted change, so the question in some ways came down to this. Did George Bush represent too much change from what they liked in American politics or government or did Al Gore represent enough change from what they didn't like? They ended up splitting straight down the middle on the idea of change versus continuity.

Third. Republicans had figured out a recipe to win presidential elections and from 1968 to 1988 Republicans won four out of five presidential elections. That recipe worked like this. They would win small-town and rural America by a big margin. They would win the suburbs by a big margin. And then they would hold on for dear life in the middle-sized cities and big cities because that's where Democrats were going to win and really run up the score.

The balance was tilted very heavily in favour of Republicans and they won all those elections. That changed in 1992. In 1992, Bill Clinton won the suburbs by two percentage points. In 1996, Bill Clinton won the suburbs by seven percentage points. In this election George Bush won the suburbs but only by two percentage points—very very different from the 10- to 15-point Republican victories that had been occurring in the suburbs. At the same time Gore was winning urban America by a much bigger margin than Clinton had or previous Democrats had while Bush did much better in small-town and rural America than Republicans had before. So there was a bigger gap between the cities and rural America and the suburbs moved from fairly heavily Republican to swing areas. The biggest issue was guns. The gun issue was hurting Democrats and helping Republicans in small-town rural America. It was hurting Republicans badly in big cities and it was hurting Republicans fairly significantly in the suburbs. But abortion and a wide range of other social cultural issues have turned the suburbs from a Republican bastion into a real battleground. One thing to watch over the next four years is whether the Democrats can continue to keep the fight going in these suburbs or whether Bush can solidify the Republican's position in these key suburbs.

And finally the two men themselves. If you sat during the election behind the glass and listened to these independent voters and heard them talk about the two candidates, what you would hear them say is this. They would look at Al Gore, say he was a very smart guy, knows everything about all the issues and has an enormous amount of experience. They liked all of that about him. But there was something about him they didn't like. They didn't trust him and they didn't connect with him as a person. They saw no warmth in him at all. They would then look over at George Bush and they really liked George Bush and they really trusted George Bush, but they wondered whether he was smart enough and knew enough about the issues. Did he have the right kind of experience? These voters found themselves torn. They were willing to concede that Al Gore was eminently qualified to be president but they did not want to vote for him. They really wanted to vote for George Bush but they just weren't sure if he was qualified. In the end they just split straight down the middle.

Now what's going to happen? Even if Bush had won by three, four, five, six percentage points, frankly he would still have a huge challenge ahead of him because when you've got a 50-50 U.S. Senate you've got a problem. A party doesn't have control of the U.S. Senate until they have 60 votes and can cut off a filibuster. But he will have a very difficult time getting his agenda through. House of Representatives 51, 49. Very very difficult, particularly given the sort of poisonous environment that we have. Is George Bush the most experienced president we've ever had? Of course not. Is he the most knowledgeable about issues? Of course not. I would argue that he is a reasonably intelligent person. He just lacks any intellectual curiosity. John and I were talking over lunch and I pointed out that somebody leaked the SAT scores for many of the presidential candidates and that Bush had actually scored higher on the SAT than Bill Bradley did. So it is not a matter of IQ points; not a matter of intelligence. It is just that he is not a very curious person.

But ultimately the success of a presidency I believe is whom you hire, whether you listen to him and at the end of the day whether you make the right decisions. When you look at the Bush cabinet it is a phenomenally experienced cabinet. Much more experienced than Clinton's was eight years ago.

I think we could have had a more skilful president selected, no doubt about that at all, but there's one important skill set that George Bush has that quite frankly Al Gore didn't have, Bill Bradley doesn't have and John

McCain doesn't have. That skill set is that when you put him in front of a big room George Bush is very unimpressive. When you put him on television, he's very unimpressive. With a group this size, he'd do okay but if you put him with a small group of people, one or two, five, 10, 15, 20 he is as impressive as Bill Clinton is. He really comes across very well. You like him and you trust him. It's important to remember what he did when he took over as governor of Texas because this man had never been elected to so much as a school board or a city council. There was no reason to think that he was the least bit qualified to be governor of Texas.

The second problem he had was that the governorship in Texas was the weakest governorship in the country constitutionally. A lot of the powers that governors in the United States normally have have been given to the lieutenant-governor in Texas. Some of those powers have also been given to the State Legislature so it is a very weak governorship. And to top it all off the lieutenant-governor was a Democrat, the State House and the State Senate were controlled by Democrats. So George Bush with no experience and essentially no knowledge about the inner workings of state government in Texas comes in and the first thing he does is he befriends the crusty old democratic lieutenant-governor and they became very, very close. Then he befriends the democratic leaders in the State House and the State Senate. The next thing he did was that over the course of the next few months he sat down and met one on one or in small groups with every single member of the Texas Legislature, even all the Democrats. There were some members of the legislature who had never had a one-to-one or small group meeting with his predecessor in four years and yet Bush did it in the first month. He created a relationship with them because that's his forte. Big groups no, but small groups yes so with no knowledge and no experience, he became a reasonably effective governor. That's his strong suit; that and surrounding himself with good people.

Now coming into a snake pit like Washington, those skills will be sorely tested. For example, the speaker of the House, the democratic leader and the minority leader of the House of Representatives met the week after the election. It was the first time they had spoken to each other in five months. Their offices are probably 100 feet apart. That's how ugly the situation is in Washington. And so I would argue that while there are certain qualities that Bush doesn't have he clearly has some that are very good.

I think it's going to be a fascinating four years. You're seeing a transition from one mainstream government to another mainstream government. I think the differences will be somewhat subtle, certainly in the area of trade and foreign policy.

I had a couple of trips to Europe during the campaign but before the election and two trips after the election to do some speeches. The conventional wisdom among Europeans seemed to be that George Bush was a moron. Americans would never elect a moron president. Al Gore would therefore win. I tried to explain to them that he was not a moron. He may not be intellectually curious and his family may have got him into Yale and into Harvard's Business School but they didn't do his homework for him. They didn't take his tests and they didn't do his papers. The guy's not a moron.

Does the name Ronald Reagan mean anything to you? Our presidential elections have never been IQ tests. There is absolutely no correlation whatsoever between IQ and winning presidential elections. There is no correlation between IQ and successful U.S. presidencies either. Consider Jimmy Carter and Ronald Reagan. One of them was extremely intelligent and the other was a successful president. So it is whom you hire, whether you listen to him, and it's luck. It is how the economy does while you are there and most importantly it is how the economy is doing when you're leaving. That is how you will be remembered. I think it's going to be a fascinating challenging time in Washington and American politics but frankly I wouldn't look for any big changes. We're really shifting from slightly centre left to slightly centre right.

You have been a terrific audience. Thank you all very, very much.

The appreciation of the meeting was expressed by Janell Blue, Vice-President and President-Elect, Canadian-American Business Council and Senior Vice-President, International Group RIGGS National Bank.

John C. Koopman, Third Vice-President, The Empire Club of Canada and Partner, Heidrick & Struggles and Charles E. Cook, Jr., Editor and Publisher, The Cook Political Report.

January 25, 2001

Tom Closson

President and Chief Executive Officer,
University Health Network

EHEALTH: THE POTENTIAL FOR RADICAL CHANGE TO HEALTH-CARE DELIVERY

Chairman: **Ann Curran**
Second Vice-President, The Empire Club of Canada

Head Table Guests

John Sadler, Managing Director, Genoa Communications Management and Director, The Empire Club of Canada; Rev. Dr. John Niles, Victoria Park United Church; Alyssa Titus, Honour Student and President, Music Council, North Toronto Collegiate Institute; Donna Kline, President, Emerge Communications; Robert A. Dymond, Vice-President, Business Development, eHealth, MDS Inc.; Dr. Alex Jahad, Director, Program in eHealth Innovation, University Health Network, University of Toronto; Julie Hannaford, Partner, Borden Ladner Gervais LLP and Past President, The Empire Club of Canada; Kathy Kastner, CEO, The Health Television Network; Dr. Sami Aita, Chairman of the Board and CEO, Medcomsoft Inc.; and John Haslam, Director, Hospital and Pharma Sales, Hoffmann-LaRoche Ltd.

Tom Closson

Thank you very much Ann. I am very pleased to have the opportunity to present to you the potential for radical change associated with eHealth. I want to say at the outset the University Health Network is a name that is not particularly well known in health care. That is because it is relatively new. It is an amalgamation of three excellent organisations—The Toronto General Hospital, The Toronto Western Hospital and Princess Margaret Hospital.

I would like to start off with a chest pain scenario. A 55-year-old man with a history of heart problems feels pressure on his chest and pain while he is at work. They call 911. After two minutes he feels anxious because the ambulance has not arrived—it's rush hour. What should he do and how could the health system have better served him?

Well, here is what's possible today with the technology that we have, but it's unlikely to happen. In fact, I am sure it wouldn't happen. This particular patient, because he has a pre-existing heart condition, has a wearable monitoring device for continuous contact with the health system. There is two-way video to dialogue with the nurse or doctor until the ambulance arrives; his electronic health record is accessible to all the caregivers. At his office, there is a staff member that is trained in first aid and this staff member is able to attach a device to him that monitors 20 physiological variables and is also able to open an electronically tagged medication package for his potential heart attack. If it is likely that it will take longer than three minutes for the ambulance to arrive, the patient and the first-aid person can link to an on-line coaching protocol.

Emergency care specialists can join this two-way video conference and take the first-aid attendant or the patient through a protocol to slow down the attack and reduce the risk of death. At this point the patient's family is linked to the video conference and they can be reassured. The traffic is still delaying the ambulance so a community-based physician who has been following this by hand-held computer is on her way, assisted by satellite, to find the patient and attend to him.

Now, everything in that scenario is possible today, but unfortunately if you are a potential heart-attack patient, it's not going to happen for you. We have a health-care system that is quite fragmented. We have hospitals that are quite separate from each other. In a city the size of Toronto, we have many hospitals that all have different information technologies that in most cases don't link to each other. We are not very well linked with family physicians or other providers within the health-care system. The care that is provided is quite episodic, people tend to go to get health care when they are sick, and they get the care for that sickness and that's it until the next time they are sick. Yet many people have chronic illnesses, which need to be followed, and it is very difficult to access care providers 24 hours per day, seven days per week. If you phone most family physicians' offices this evening, in Toronto, you will get an electronic voice mail message that suggests that you go to the Emergency Department.

What do consumers expect? Well consumers want continuity of care. They want to know that if they have a chronic illness, somebody is following it and helping them. They want to have easy access to service, and they want to have access 24 hours a day, seven days a week. They want to be assured that the latest drugs and the latest diagnostic technology are being used. But they also want a human touch and in fact, if you look at patient complaints of the health-care system, more often than not, they actually relate to the human touch side.

I thought I would define what I mean by eHealth. I am using this term to mean any electronic exchange of health-related data, voice or video. We could say data, which would be adequate, but I wanted to emphasise the video and the voice side as well. I have broken what I mean by eHealth into three major categories, because I wanted to talk about each regarding where we are today in the health-care system in Ontario with each of these areas.

I have broken it down to business eHealth, clinical eHealth and consumer eHealth. Business eHealth is the most fully developed. What I mean by business eHealth is electronic claim submissions—things like OHIP claim submissions, or claims for private or semi-private accommodation in hospitals and supply chain management—that is, hospitals being able to link with vendors to buy drugs or medical/surgical supplies. This is quite well developed, although it could be better. And there is a strong business case for it, meaning it's been easy for individual organisations to justify it, in terms of the savings that they can achieve.

This isn't the case for clinical eHealth. Although I gave you a scenario that includes many aspects of clinical eHealth, this is really the least adopted area in health care today and not just in Ontario, but generally throughout Canada and the world. I am using this term to include things like electronic medical records, where any service that I receive throughout my life is stored somewhere electronically, so that it can be easily accessed by anyone trying to provide care. I was speaking to my 20-year-old daughter last weekend about this issue, and was remarking that even at the ripe old age of 20, she has health records at four different hospitals in the Toronto area, a hospital in the United States, and with several family physicians. They are scattered everywhere. In fact, she doesn't even know where they all are and there is no way for her to bring them all together, unless she goes on a bit of a search mission and gets a good photocopier.

I am using the term clinical eHealth to also include clinical telemedicine. There have been some good pilots done in Northern Ontario through the North Project and from the Hospital for Sick Children. These projects show how we can use two-way video to have the physician and the patient in very different places and still have the physician provide care to the patient. In fact in Ontario, of the $20 million that is spent on travel grants to bring people down from Northern Ontario, three-quarters of it is spent on clinical consultations and only one-quarter of it on actually having a procedure done. So the idea of keeping the patient up north and having them use two-way video to have the consultation with the physician is clearly something that is technically feasible, and in fact, starting to happen, and it is happening in other parts of Canada as well.

There are major privacy and data standards issues in clinical eHealth which need to be addressed and these are major barriers to clinical eHealth moving forward. This is important because one of the things I have found in health care is that any time anyone has an idea to improve the health system, there is a group out there that says there are bad things associated with the idea. And these critics are the ones that end up being quoted in the newspaper, which makes it hard to move forward. Another barrier is that physicians outside hospitals have very inadequate information technology for the most part. There's a reason for that. Physicians are small business people who are concerned about what their expenses are and there is very little incentive for them in terms of payback to justify major investment in technology. Overall, there is a lack of a clear business case for many of these clinical eHealth applications, particularly if you look at them in a narrow way. If you look at them in terms of the whole health system, the business case can be quite compelling but given the fragmentation I talked about, the business case is very difficult for individual organisations or providers to justify.

Consumer eHealth, the third area, is expanding very rapidly. I was reading an article recently that suggests that there are 16,000 sources of health information on the Internet. So, if anyone is thinking about starting up a new health website, you have quite a bit of competition. There are additional functions that I have included under consumer eHealth; things like being able to order drugs through the Internet; provider/patient messaging—being able to send e-mails to your physician and have them answered. There is a big barrier to this right now because physicians don't get paid to answer e-mails. However, if you look at surveys of patients, they would like to be able to e-mail their provider. If you have ever tried to phone your provider when they are running a clinic, you're told they will phone you back, but e-mail is clearly a simple technology that people would like to use. Consumer eHealth also includes the storage of personal health records, which is something many consumers would like. They may be concerned about who has access to the records, but they would like the records to be brought together.

I have a wonderful quote from the Lalonde Report which was written in 1974 on A New Perspective on the Health of Canadians and I'll read it out. The year 1974 is 26 years ago; I only started my career in 1971, so it's my entire career. In 1974 Lalonde said: "In spite of the great strides made in recent years, there are a number of difficult problems facing those with responsibilities for providing health-care services. There is a lack of a uniform and integrated system for maintaining health records for individuals. Essential data are scattered in many locations, in physicians' offices, hospital records, clinics, etc."

Now this video clip I'm running shows you what it is like in most hospitals. You'll notice there is a computer in that picture, which is a good sign. But what we have in hospitals today throughout Canada is lots of paper—tons of paper. Paper being moved all over the place. It's not surprising that it's difficult for us to link with other hospitals and with family physicians when you see how difficult a time we have even keeping our own paper straight.

One of the reasons for this slow progress is demonstrated in this graph. It shows the percentage of revenues, worldwide for different industries, in terms of what they spend on information systems. You will see at the bottom of the graph that financial services companies spend 12 per cent of revenues on information systems and about half way down you will see that health-care providers worldwide spend just about 4 per cent. In Ontario health care, we spend less than 2 per cent. So we have a major problem in terms of how much we are spending in Ontario on information systems in relation to the likelihood of ever doing anything very significant in this field.

Nevertheless, I think there are some real drivers for change here. Although during the first 26 years of my career we haven't accomplished much, I think the next 10 will see major change.

Sixty-five per cent of Canadians have Internet access in their home or in their office. That is an April 2000 statistic. Health care is one of the most popular topics on the net; 77 per cent of users have searched for health information, 43 per cent of Canadians have made a purchase on the Internet and 20 per cent of Canadians are doing their banking on-line.

This is a fast-growing statistic. In my view the banking statistic is the one that will drive the change in health care the fastest. You have some of the same privacy issues in banking as we do in health care and yet we're up to 20 per cent of the people moving money around and paying bills on-line. Why not use the technology for health care?

I'll give you an example here—the Kaiser Permanente website—KP On-line. Kaiser Permanente is a very highly regarded health-maintenance organisation in the United States, probably one of the best regarded in terms of the health field. These are the kinds of services that you can get as a member of the Kaiser Permanente health-maintenance organisation. You can maintain your own personal health records; you would have access to information on all your test results and all the services you've received. You can order medication refills. You can request and schedule your appointments with family physicians or with specialists through the Internet. You can select customised health information. Kaiser has taken the 16,000 health websites and put the information into a form that makes it easier for you to find the information you need. You can access on-line support groups, so that if you have cancer you can get into chat groups with other people who have cancer and are members of your group. I've been playing around with chat groups myself recently, and it's interesting how that technology allows people to communicate from a distance at basically no cost. Finally, the KP website enables patient/physician communication, which is the ability to send and receive e-mails from your physician to get your questions answered.

Now there are many more things that constitute eHealth beyond what I have listed here, but KP On-line is a good example of what is already happening. Why isn't this happening in Ontario? Why isn't it happening anywhere in Canada? Part of the answer relates to the motivation for Kaiser Permanente. It's not just efficiency, although efficiency may be part of it. Another part of it is market share. Kaiser Permanente is trying to attract members in competition with other health maintenance organisations. With the way health care is organised in Canada, there is no competition to make organisations want to have market share. In fact it works the other way. I think most of us think we have too much market share already!

Now there are huge advantages to doing some real testing and evaluation in the city of Toronto about what could actually be accomplished in terms of eHealth. We're the largest city in North America with a single medical school: University of Toronto. It is one of the top three or four medical schools in North America and the expertise that it has is a remarkable advantage for us. We have the largest teaching hospital system in Canada doing a tremendous amount of research. In my organisation alone, we're doing $75 million of research a year on a budget of about $750 million. So 10 per cent of what we spend is on research primarily funded through research grants. There is a good technological infrastructure and there are good international links. We're home to major technology firms and we have communities here from over 170 countries. This suggests that we have an opportunity to do research that will allow us to be global providers. My view is that eHealth is going to make health care go global. In fact, it already has. Check out one of the 16,000 websites that provide health information; not very many of them originate in Canada. When you look at clinical telemedicine with the North Project or with what Sick Kids does, if you can provide specialist support to northern Ontario why not provide specialist support to Texas? I think the shortage of providers that we have today is going to encourage greater globalisation. You could make the argument that with the health human resources staff shortages, we can't even take care of our own people, so we should not try to take care of people in other countries. The fact is that the shortages tend to be in specific specialties and in certain geographic areas, so the technology will enable the provider to serve the patient regardless of where in the world the patient is. And with communities made up of people from 170 countries—

where better to test out some of these technologies, than the city of Toronto? I was looking at demographics in the general catchment area that we serve; the biggest population groups that we serve are Portuguese and Asian. About 10 per cent of the population is Portuguese and about 10 per cent Asian. About 10 to 20 per cent of the people who come from those groups don't speak English. That's what our surveys show, so we've got the opportunity to test things out in our own backyard to enable us to look globally in the future.

So where do we go from here? I think there is lots of room for all of us in eHealth because it's just really beginning. We're starting the Program in eHealth Innovation at UHN (a joint partnership with University of Toronto.) We recruited Dr. Alex Jadad from McMaster University to head up the Program. He is a physician with a special interest in eHealth who has been doing research into the use of eHealth in terms of patient/provider interaction. The Program in eHealth Innovation is trying to look at how we can use technology to improve the health and well-being of people worldwide. The way we are going to approach this is by looking at Toronto as being a mini model of the world. Toronto is the most multicultural city in the world and it's the perfect place, given all of the points I raised earlier, for this kind of initiative to occur. We want to promote the integration of all these technologies with the cultures of health and health care. We want to try and change the way health care is delivered.

So, in conclusion, I have several points I want to make. First, I think there is a major under-investment in informatics in health care in Ontario. Over each of the next few years, expenditures in health care in Ontario will likely increase at the rate of 6 per cent per year. Right now we are spending less than 2 per cent on information systems. If we took a one-year pause in putting extra money into providing service and invested the 6 per cent in information systems, we'd be up to 8 per cent in information systems. Think of the potential that would create in terms of new eHealth approaches. Now, obviously you cannot stop increases in health services spending entirely. But the idea of ramping up to get to a more reasonable level of information technology investment should be a major strategy initiative of any government.

A second point I want to make is that I believe there is potential for radical change in health care. The scenario I gave you at the beginning of this presentation regarding the heart patient is so different from what happens today. It just gives us a flavour of the kinds of things that could be accomplished with the technology that is already available. With this new UHN Program in eHealth Innovation I don't suggest that a year from now we're going to be able to provide all of this. Our Program in eHealth Innovation is a research effort to test out different approaches with private-sector partners and other public-sector partners. It will test out approaches that could be developed within Ontario and internationally.

And finally, I've stolen one of Alex Jadad's lines. Alex talks about enabling the health system to become a "good travel companion." This is very different from the way the health system currently works. When you go travelling with your travelling companion, you have someone to talk to, someone to share things with and, if you get into trouble, someone to rely on, 24 hours a day, seven days a week. This is very different from the way the health-care system currently operates. We believe that with the appropriate use of eHealth we can turn the health system into your travel companion.

Thank you very much.

The appreciation of the meeting was expressed by Julie Hannaford, Partner, Borden Ladner Gervais LLP and Past President, The Empire Club of Canada.

February 8, 2001

Martha Billies

Majority Shareholder and Director, Canadian Tire Corporation Limited

THE ETHICS OF SELF-RELIANCE FOR CANADIAN TIRE AND CANADA

Chairman: **Gareth Seltzer**
Past President, The Empire Club of Canada

Head Table Guests

Ken Mann, Dealer, Canadian Tire, Yonge and Davenport; Reverend Prue Chambers, Rector, St. Nicholas Anglican Church, Birchcliffe; Chris Hirst, Grade 12 Student, Student Council President, North Toronto Collegiate Institute; Wayne Sales, President and CEO, Canadian Tire Corporation Limited; Gil Bennett, Chairman of the Board, Canadian Tire Corporation Limited; Anne Libby, Private Art Dealer and Director, The Empire Club of Canada; Janet McKelvey, Executive Director, Canadian Tire Foundation for Families; Peter Chant, Partner, Deloitte & Touche; Maureen Sabia, Director, Canadian Tire Corporation Limited; and Tony van Straubenzee, Managing Director, Russell Reynolds Associates and Past President, The Empire Club of Canada.

Introduction by Gareth Seltzer

To many people, Canadian Tire is a proxy for Canada.

Indeed, a letter to the editor of the *Cornwall Standard*, written during the last federal election, brought that connection home to me in an amusing fashion: “Wouldn’t we be better off,” the writer asked, “if we just hired Canadian Tire to run the country? They’re pretty well national, they know what they are doing, they don’t believe in deficits, they are efficient, they are honest, they are innovators—everything that politicians are not.”

To that list of qualities, I would add, “We also have our own currency.”

Now, don’t worry. I’m not here today to discuss our policymakers or our politicians. But I think it is time to recall the values and principles that have made Canada a great nation and Canadian Tire a great company. Why? Well, I believe that the success of both depends on nurturing the kind of self-reliance that translates into greater productivity—in our boardrooms, and by extension, in our businesses and ultimately, in our nation.

I make this statement not as an economist or a CEO. I make it as a director and the largest common shareholder of a very large Canadian company. I also make it as a woman who was unable to join the board her brothers had been on forever until my father generously gave up his seat on the board in 1980 to allow me to sit at the table.

Many people who do not know me well wondered why, three years ago, I acquired control of the company my father and uncle created in 1922 in a garage on Gerrard Street east of Broadview with capital of $1,800—a company whose current 435 plus stores are within a 15-minute drive of 90 per cent of Canadians. A company that has diversified beyond those stores to include 260 gas bars and a financial services division that issues credit cards and manages over four million credit card accounts.

Those people who knew me understood why I took such a bold and yes, risky step. The answer is simple. I care deeply and passionately about the company that was such a vital part of our family life that some of its most revolutionary ideas—employees on roller skates to serve our customers better; Canadian Tire money to discount every purchase; profit sharing for all employees—were born at the family dinner table!

I also care passionately about the country that has enabled Canadian Tire's several hundred thousand employees over the years to find self-respect, security and financial independence.

I am concerned that the self-reliance we cherish at Canadian Tire, in our customers and in ourselves, is something that Canada, as a nation, needs to produce more of, if we are going to ensure a future worthy of our past. Maybe the term "self-reliance" does sound vaguely "old-fashioned" in a world of stunning new technologies and dot-com riches—sort of like Harry Potter meets Bill Gates.

My father was once asked the secret of his success, and he replied: "Striving always to make things better." To me, that is the essence of self-reliance—taking personal responsibility for personal, corporate and national success. That means winning, and winning is what it's all about.

Canadians can be winners.

But I sense that we are in danger of being sidelined in this increasingly competitive world that globalisation is creating. Our productivity as a nation may be improving, but compared to countries such as the United States we are still lagging far behind.

In this competitive world Canada is struggling—struggling to attract and retain our very best people and our very best businesses. Our productivity depends on winning the struggle.

There are many ways we Canadians can improve our productivity—and the productivity of our boardrooms.

Simply put, I believe Canada's directors can do more for the companies on whose boards they serve. The unhappy fact is being a director of a large public company has, for many years and for many directors, been a relatively comfortable pew.

Well you and I know that it isn't anymore, nor should it be. Directors, after all, have ultimate oversight of a company's performance. It follows that the more productive Canada's corporate directors can be, the more they can contribute not only to their company's success, but to our country's growth.

I say this not only from my vantage point of 20 years as a member of the board of Canadian Tire, but from the relatively unique vantage point of being a majority common shareholder who is not the CEO.

So it may be instructive to articulate how I see my role as a shareholder and a director, as an example of how shareholders and directors can work to improve their own productivity and that of the companies whose interests they are pledged to serve.

When I bought my brothers' shares in 1997, I worked quickly to reassure the board that I wasn't going to fulfill the common fantasy that controlling shareholders of public companies try to run the company themselves and that they will at the very least try to interfere with management.

The essence of my message to the Canadian Tire board when I changed from being a board member to being a board member with 61 per cent of the company's common shares was this: I am a director and like all directors I intend to work through the board. Whatever responsibility I may feel I have beyond that is in my view subject to the best governance practices that all directors should respect.

The relationship between board and management is a highly delicate balancing act. It takes great independence, healthy confidence and more than a bit of courage both on the part of management and the board to successfully navigate through its intricacies and pitfalls. Having said this, I did feel that having discussions with the Chairman and the CEO in advance of formal board meetings could only facilitate our decision-making process as it would encourage our alignment.

I also told the board that my plan was to attend all board committee meetings and that is something I do today.

Beyond that, my role as a board member has been what it has always been—an active, curious, hard-working, independent-minded director with high standards and expectations of excellence and performance.

These qualities are what we look for in new board members, and because of this, I believe Canadian Tire has one of the finest boards in the country. Very few of our board members serve on a large number of other boards. That's because they won't have sufficient time to devote to us or their other boards, frankly. Trying to serve on too many boards stretches talent and commitment too thin. Directors who do simply won't have the time to know our company well, to come fully prepared for board meetings, to visit our stores, talk to our dealers, to be vigilant, independent and forthright.

On our Canadian Tire board, we don't take silence as an indication of either agreement or wisdom.

So when we go looking for a new board member, the first question asked by the governance committee, after reviewing our needs and the candidate's fit, is this: "Do you have the time?"

I'm not embarrassed to stand before you and say I expect a lot from my fellow directors—as they do of me.

Their willingness to commit their time, attention and expertise breeds an independence of thought that I deem to be essential in all directors.

You can't be an independent thinker if you're too busy to know what the company is really all about. If you're not informed, you can't develop a worthwhile personal view, because you're always behind the information curve. I believe information is critical to being independent and if you can't exercise independence, one could rightly ask: "What are you doing on the board in the first place?"

An independent board will be able to look beyond last quarter's results, be future-oriented and help management design the battle plan for winning. An independent board will have a greater respect for the natural and necessary boundaries between directors and management than a dependent or distracted one.

An independent board will enable a significant shareholder, or a majority one, to exercise her responsibility in the most appropriate manner possible, which is through the board.

Now some people will tell you that a board whose driving principle is independence will constantly be at odds with management. Not true. In fact, I believe that one of the primary responsibilities of a board is to encourage its own members to dare to be a minority of one. I encourage all our board members to pursue issues of individual interest at board meetings. True, it makes for some long meetings and occasional quizzical looks from management, but our directors should feel quite comfortable bringing up any matter of genuine corporate interest and at CTC they do. Directors are entitled to information about anything and open discussion as well!

I am often asked to speak about the role of women in Canadian business, and my view, "that there should be more of us," is well known. I am keenly aware of the irony of being a woman who controls what is arguably Canadian men's favourite store. But let's look at the issue of women as board members from the perspective of time, or lack of it. The days when CEOs claimed there weren't any women qualified to serve, are now thankfully over.

Yet even today, less than 8 per cent of the members of boards of major Canadian companies are women. Monday I read in the paper that it's 7 per cent. The most recent survey of 560 public Canadian companies tells us that women hold 372 out of 4,950 board seats. Even more bothersome, fewer than half of the surveyed companies have any women at all on their boards. Contrast this with the U.S. where 11 per cent of *Fortune 500* directors are women, and 86 per cent of *Fortune 500* companies have one woman, at least, on their boards.

I can assure you there are all kinds of highly qualified women who would contribute greatly to Canada's companies and their productivity.

Yes, slowly, the number of women on Canadian boards is increasing; there are more women with senior business experience than ever. However, this morning, we all read in the newspaper that women's enrollment in MBA programmes is stalled. At the U of T, the numbers have actually dropped. But I am not deterred. I agree with Roger Martin, things are getting better for women and we, as business people, just have to be more proactive.

Why are there not more women directors? That can be answered simply. Men aren't comfortable with the thought of women on their boards. We look different. We sound different. I happen to think we view the world differently and I know we are more independent. It's not a coincidence that independence is the quality I value uppermost in directors.

I want to send a message to all the men out there, and in here, that women are good for business for all kinds of reasons—not the least of which is productivity.

No company and no country can compete, let alone win, in the global arena by engaging only half its brain-power, especially in this age. And no big company, in particular, can do without women at the top.

Much has been said about how women are so much better at starting and running small businesses than men. Great! I'm all for Canadians of every sex, stripe and persuasion starting their own business. It's what my father and uncle did 78 years ago, when each of them took turns throughout the cold winter nights tending a coal fire in order to keep their customers' early model cars warm enough to start.

But don't you think it's time we stood up for women playing a greater role in big business in Canada. I do. I am amazed by the hype around women in small business. I sometimes suspect this is generated by men in big business. Is it misplaced praise? Or, is it systemic condescension? All I know is I look forward to the day when women directors, including myself, will no longer feel obliged to devote one word of our speech to the Empire Club to this topic!

I said earlier that the principle of self-reliance that has driven Canadian Tire for 78 successful years can translate into greater productivity for Canadian companies and our nation. I want to spend a moment with two examples of self-reliance at Canadian Tire that I believe have teachings for all of Canada's companies, large and small.

The first has to do with how employees share the wealth generated by our productivity, and the second, with fostering the spirit of independent thinking—there's that word again— that is so necessary for success in any business.

One of my father's most passionate convictions, and one he shared with his brother, was that profits should be shared with those who helped create them. Indeed, he often stated that the company had a moral responsibility to reward each person who contributes to the company's profits over and above his or her salary or wage. For A.J. Billes, respect and reward were sacred tenets. And so he pioneered a profit-sharing plan for employees that remains one of the best in Canada.

It's easy to forget just what a revolutionary idea profit sharing was when it was first introduced at Canadian Tire. The Canadian Tire profit-sharing plan has added significantly to every corporate employee's salary since 1956, and later to most dealers' employees as well.

Behind profit sharing lies the principle that I believe Canada needs to re-embrace if it is to restore the sense of individual responsibility and national productivity that was once one of the hallmarks of our standard of living. Profit sharing rewards individual effort. It encourages people to take risks, to be independent, and to earn future security through the robust health of a profitable company.

Respect and reward. Principles that were the driving force behind another initiative that was thought to be, in the 1930s, somewhere between radical and lunatic. That initiative is now viewed as conventional wisdom in the world of retailing—whether it's cars being sold, or coffee. The idea was my father's and uncle's belief that our customers and employees would benefit much more from our stores if they were operated by independent business people who had a vested interest in the success of an individual store.

Thus was born the concept of associate dealer stores. The best advisers in the business argued that manager-operated branch stores was the way to go. There is "more control that way."

But my Dad and uncle did not see it that way. They saw dealers as men, very like themselves, whose independence of thinking was itself a "competitive advantage," although I'm not sure that phrase ever entered their minds. To everyone's surprise, except my father's and uncle's, the associate dealer system worked. The favourite word for this kind of structure today is partnership and, I am often told, we live in an age of them. I smile when I hear that, because Canadian Tire has been in a successful partnership for nearly three-quarters of a century now.

Our sense of family at Canadian Tire is genuine and long-standing. It is bred in the bone. The partnership created by my father and uncle embraces the corporation, its employees, the dealers and our thousands of suppliers, who partner with us in ways that encourage their own spirit of entrepreneurship and boost their own levels of productivity. Everyone at Canadian Tire—and I mean everyone—is focused on serving our customers. And all our training, education and motivation programmes work to serve that single goal.

During the mid 1990s Canadian media predicted that the American "big box" stores were going to wipe Canadian Tire off the map. Guess what, we're still here. Looking back, it's very clear to me that what enabled us to take on these very tough challengers was the unity created by our partnerships and the loyalty, vision, hard work and dedication of our employees.

But what about the battles ahead?

Well, they're not just coming from the U.S.A.; they're coming from everywhere—including cyberspace. The globalisation of retailing means much more than being able to buy things on the Internet. It means more than being able to buy a high-quality toaster or drill at a very low price because it was made by highly skilled people at a much lower cost than it could ever be made for in Canada.

Globalisation means creating not only critical mass, but gigantic mass so that the economies of that mass and scale are immediately enjoyed by the customer. By Canadian standards Canadian Tire is not a small company; we do $5 billion a year in sales. But compared to Walmart, which does $166 billion in sales worldwide, we are a small company, certainly in global terms. Our David has done pretty well against their Goliath. But the challenge is never-ending.

Now a lot of companies have made huge investments in on-line shopping, and haven't seen their first dime of profit.

Our view of the Internet is as a natural extension of our philosophy that we are here to serve the customer. Having stores that are 15 minutes away from 90 per cent of our customers is one way of serving. Having an on-line presence that's immediately available to them 24 hours a day is another. This is not a separate and new business after all; the Internet gives us the opportunity to leverage the best-known brand in Canada.

Our red triangle is recognised by nearly 100 per cent of Canadians. Our printed catalogue is delivered to over nine million homes all across Canada. Just imagine it actively integrating on-line.

Yes, the Internet will be a challenge for us, but more than any Canadian retailer, I believe it will provide a major opportunity in the years ahead.

Canada is a nation of perpetual opportunity. It was in 1922 and it should be in 2022. There has been something in the Canadian character that has sparked our rise to the somewhat embarrassing heights as the best place in the world to work and live. I call that quality "self-reliance," and the company I am privileged to have been born into has thrived nurturing it.

But, while opportunities continue to arise for Canada, they are neither automatic or eternal. They have to be earned. Ask our leaders—in business and politics both—how they are going to create more opportunities for the next generation of Canadians.

My call to action today is focused solely on those areas of Canadian business where my experience and my situation give me an expertise that I have been honoured to share with you today.

I believe Canada's public companies should look hard at how they choose their directors in order to ensure that those directors—and the companies they direct—are as productive as possible.

Productivity improvement, like any major change a corporation undertakes, should be championed from the top. Seeking out the best candidates for the board, regardless of their sex or any other consideration except expertise, enthusiasm and time, must be the order of the day.

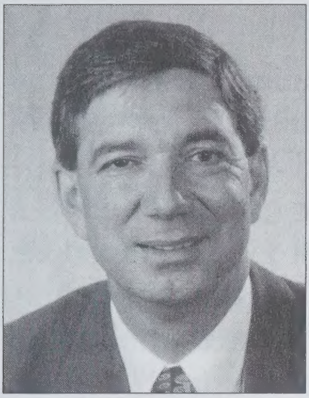
Canadian companies and Canada itself must return to the ethic of self-reliance that has fostered the creation and growth of many Canadian household names like Canadian Tire.

When my father and uncle moved from their original garage to the corner of Yonge and Gould Streets, they would change their company's name to "Canadian Tire" because such a grand name would suggest to the world that their tiny enterprise was much grander than it actually was. Now I have no illusions that we will be changing our company name to "Global Tire," but I do know that my father and uncle's small company grew into its name.

Today I am the standard-bearer for their heritage and their values. The principles of self-reliance that will always continue to serve Canadian Tire well and spur our growth are the very principles that Canada should embrace to ensure its future.

Thank you.

The appreciation of the meeting was expressed by Tony van Straubenzee, Managing Director, Russell Reynolds Associates and Past President, The Empire Club of Canada.



February 22, 2001

The Hon. Patrick George Binns

Premier, Prince Edward Island

MAKING CANADA A BETTER PLACE

Chairman: **John C. Koopman**
Third Vice-President, The Empire Club of Canada

Head Table Guests

Edward P. Badovinac, Chairman, The Good Neighbour's Club of Toronto (a day centre for the older, homeless and unemployed man), Director, The Empire Club of Canada and Director and Chairman, The Empire Club of Canada Yearbook; Reverend Dr. George Sumner, Principal, Wycliffe College, University of Toronto; Mehul Shah, OAC Student and Executive, TDSB Supercouncil; Patrick Sinnott, Senior Vice-President, Canadian Tire Corporation Ltd.; The Hon. Michael H. Wilson, Chairman and CEO, RT Capital Management Inc. and Former Minister of Finance for the Government of Canada; Jocelyn Côté-O'Hara, Principal, C_2O & Company and Director, The Empire Club of Canada; Charles McMillan, President, Scotia Glenayr Inc.; and Gaetano Crupi, President, Eli Lilly Canada Inc.

Introduction by John Koopman

Last Sunday I returned from China, along with the Prime Minister, other Premiers, and a business delegation of approximately 600 people from across Canada. One of the most vivid memories I now carry is the contrast between poverty and affluence in that country of 1.3 billion people. The poverty was evident by the poor housing, the grime, the two-wheeled wooden carts pulled by men, the lack of schools, and the obvious shortage of investment capital. On the other hand, the affluence in Hong Kong and Shanghai is incredible. In Shanghai, a city that historically took a laissez-faire approach to travel documents for entry, Westerners seeking a second chance teamed up with Chinese entrepreneurs creating a powerful mixture of wealth and freedom.

This is now aided by a skilled work force, rapidly developing transportation and communications facilities, and scientific advancements, resulting in a skyline of beautiful skyscrapers and a city council that is determined to continue the trend. Growth has been exceeding 40 per cent per year, and Shanghai has had as high as 30 per cent of the world's construction cranes.

Now, I did not come here to talk about China, but one last piece of trivia is that China has not had major civil strife for 25 years—an indication that its people have hope and see opportunity.

Canadian tax dollars have shaped their hope with many CIDA projects, particularly for education. These investments are made because they are the right thing to do. At the same time, a developing country that has money can buy our goods and services, thus creating jobs here in Canada. This is something we are committed to do as a country. We do it externally; and through regional development programmes and equalisation, we do it internally. That is one theme of my speech today.

Atlantic Canada still needs both understanding and investment capital. I say still, because we have not regained the levels of prosperity enjoyed by the rest of the country. Prosperity that we had at the time of Confederation. Our incomes have recently risen from about 50 per cent to 74 per cent of national levels.

Prior to Confederation, we were as prosperous and confident as anyone else. We enjoyed the benefits of considerable immigration, aggressive international trade and a strong shipbuilding sector.

Post Confederation, the national policy of John A. MacDonald of 1878 (the founder of my party), in building a country, slowed our trade with duties, with shifted immigration patterns to Central and Western Canada, and with subsidised steel-hulled steamship service from other Canadian centres while our Atlantic wooden shipbuilding industry died. Well, that was the bad news.

Now, however, the playing field is once again being levelled with opportunities coming from free trade, with advancements in transportation, with new energy sources being developed, and with modern communications enabling the emergence of the new economy.

These changes are in fact enabling substantial growth in Prince Edward Island. We are not a Shanghai or a Hong Kong or a Toronto yet, but we are not the underling province that some thought we were a short time ago. Let me give you some examples:

- Since the construction of the Confederation Bridge in 1997, a project that helped contribute to the loss of my seat in Ottawa because of my support, our tourism business has nearly doubled (proof that infrastructure is necessary and assists development).
- Since the conversion of the former CFB Summerside in the early 90s from a military operation to an Aerospace Park, our third most important export product is now aerospace parts,

following potatoes and lobster. We are the largest rebuilder of Pratt & Whitney engines in North America, and build everything from aircraft cabins to landing gear and helicopter airframes.

- Trade with New England and the United States is growing strongly. I led two Atlantic Trade Missions to the New England States in the last two years which have resulted in tremendous expansion for SMEs along the eastern seaboard, which would have been very difficult without Free Trade. (Another policy that did cost me my Federal seat, but was the right thing, and I say thank you to Mike Wilson!)
- Energy self-reliance and jobs are being created from Hibernia and Sable Island. Without federal partnering, neither of the above projects would have achieved lift-off, but now contribute to our growing confidence and to national revenue. On P.E.I. we have the largest land-based rig in Eastern Canada drilling at Bear River. We believe that the field being drilled by Meteor Creek Resources, an Ontario firm, holds about 1 trillion cubic feet of gas—which is about one-quarter of the reserves of Sable Island.
- We have an opportunity and a bright future in shipbuilding. By working with the Irving Group, we are now building world-class tug boats on P.E.I. which are finding places with customers such as the Panama Canal Authority.

However, we have had to financially support this work in the initial stages. There is tremendous growth in international trade by water, but Canada will not enjoy a reasonable share without a National Shipbuilding Policy. Such a policy should keep us competitive with the U.S. which uses the Jones Act to keep us out of their market, and countries like Korea which use tax dollars to support their industries.

I might add that there is more technology on most ships today than on modern aircraft, and shipbuilding requires a highly skilled work force.

We have also been using tax policy to create jobs. We are the only jurisdiction in Canada, besides Alberta, with no PST on clothing and footwear. This has in part given us the strongest retail growth in the country for several years running. In addition, we have reduced personal income tax twice, provided a fair tax package for low-income Islanders, and tabled three successive balanced budgets.

These are examples of a few accomplishments and a few of the challenges. If your Sam Snyderman, who is a summer resident of P.E.I., was here, he would want me to tell you that we have a beautiful island and many cultural attractions like the Confederation Centre of the Arts, Anne of Green Gables and a vibrant music industry. Sam was at our East Coast music awards two weeks ago and reminded me that it is important to support our music industry.

He used the example that ABBA brought more money into Sweden than Volvo when they were producing hits. So, don't forget to look for our Atlantic musicians like Anne Murray, Lennie Gallant, Great Big Sea, Tara MacLean, Holly Cole and Richard Wood when buying new CDs.

You have Mike Weir. We have Lorie Kane who recently won the Takefuji Classic in Hawaii, and for the first time ever, a Canadian woman leads the LPGA tour in dollars earned for the season. We are also a great golf destination having hosted the Export A Skins Game at Crowbush, and last summer the first-ever Ladies Skins Game in Canada at Brudenell won by Si Ri Pak.

With so many good things happening and very positive growth, why do I ask for understanding and support? It is simple. National policy contributed to dependency in the past, and before we finish the turnaround, it could impact us again. There is a growing misconception that Atlantic Canadians will never pull their weight economically. This thinking has been enhanced by some politicians looking for short-term gain, and by some national commentators who have failed to educate themselves. One example often cited is that our cost of governing is out of line with other provinces.

The fact is that on P.E.I. we spend about $6,600 per capita annually while Ontario spends about $7,400. Our debt-to-GDP ratio is about 1:3. Quebec's is about 1:2. Our labour force participation rate is among the highest in the nation. Our unemployment rate was recorded at its lowest level since 1981. Prince Edward Island exports increased by 32 per cent last year. In the interest of time, I will not give further examples. However, as Canadians we need to support one another. We should be like a family that looks out for its members. That is why Islanders have always urged other Canadians to support Quebec's language, culture, and laws—the second theme of this address.

It is the diversity of Canada that gives us our unique identity. This gives us strength and not weakness. I was born in Saskatchewan and grew up in Alberta. Their geography and people are similar, but one has more money and resources. What kind of a Canadian would talk about putting firewalls around a piece of geography that is suddenly blessed with oil and gas royalties at the expense of other Canadians? Or just because there is a slump in lumber prices and the economy of B.C. goes flat, should we somehow be less accepting of B.C.? Of course not. When our gas revenues start pouring in, will they say we don't pull our own weight? I doubt it!

We have a big problem on the Island today. Last fall, a fungus called potato wart was found in the corner of a field of potatoes. It was immediately isolated by the best experts in the world. They say it is absolutely contained and is not a threat to other potatoes, or to any other plant, animal or human. Despite this, the United States immediately banned the import of P.E.I. potatoes. Despite the assurances given by Canadian scientists, the Americans have used unsound science arguments and refused to reopen the border. The problem is trade-related. Idaho and a few other states have a glut of potatoes and want our market share in New England.

To P.E.I., this would compare to Ontario having to shut down all auto production because there are more than enough cars in the U.S.! Should we tolerate this? No. We could well lose our budget surplus this year, and the future is uncertain. Despite Free Trade, they are winning this battle. I need your help to push Ottawa and the Americans on this issue. When some bully beats up your brother, I know that the family will not just watch. A collective approach is what Canada is all about.

I remember the first time my family travelled across the prairies to Toronto. We rode with the CNR, stayed in a hotel we had only heard about, and then we went to Oshawa to pick up our new Pontiac off the assembly line. It was summer, but we went to Maple Leaf Gardens anyway just to see the place where my heroes played hockey.

We often replayed this scenario for our summer vacation. I now visit Toronto everyday when reading the *Globe* and watching the *National*. It is a great city full of people who have shaped Canada. We even love you when the TSE has a bad week, or month!

Sometimes we growl, but we know that your contribution has made this country great. After all, you buy our potatoes and our lobsters and we in turn buy your cars and send our kids here to run your computers. And if you don't, we won't send our snowplows the next time you have a big snowstorm! Actually we had to do it, or the potatoes would have spoiled in our warehouses.

Let me close on a more serious note. I am talking about Canada and what it means to be Canadian. We would all be foolhardy to ignore the continuing tensions in Quebec and the West. Neither will go away with simply electing Jean Charest in Quebec or firewalling Alberta. To right these situations, people need to feel that they have a voice and some power over our central institutions. We need positive dialogue focussing on healing and remedies. A recent poll shows that 70 per cent of Albertans feel shut out from federal influence.

I know that they even felt that way when Don Mazankowski and Joe Clark were among the most influential governing politicians in Canada. The failure to meet reasonable expectations of federalists in Quebec will not be maintained by maintaining the status quo. Just as business has to change, so too do the institutions.

Confederation was born in Prince Edward Island, and as Premier, I embrace my duty to be faithful to Canada. In the 1864 Union talks, George Brown of Toronto gave inspiration to Edward Whalen of Charlottetown.

He argued that government had to meet the needs and circumstances of the people. The Fathers bequeathed to us a country with unique and different institutions from Britain or the United States. Professor Samuel LaSelva says it well: “In (George Étienne Cartier’s) understanding Canada was to be a nation in which multiple identities and multiple loyalties could flourish within the framework of a common political nationality.”

In other words, Canada is about accommodating difference. After all, if Canada cannot accommodate Quebec, then it is unlikely to accommodate Prince Edward Island or the Atlantic region. I supported the Meech Lake Accord and the Charlottetown Accord, especially those elements which accommodated Quebec. In a broader way they were an accommodation of the West and of Aboriginal people. While those failed, I suggest it is time to accept that after 133 years, our Constitution has developed some serious deficiencies.

In 1997, the Premiers and Territorial Leaders adopted the seven principles of the Calgary Declaration as a framework for building Canada's future. It was a gesture that helped to still the restless waters of Quebec and the West.

It is now time to expand that dialogue, and I now plan to ask my colleagues to discuss the merits of such an initiative. I ask the same of the Empire Club, an organisation founded with the objective of supporting economic, social and political ideals for our citizens. Your positive sanction in opening up dialogue and in promoting openness, acceptance and accommodation will help maintain the best country in the world.

After all, effective and responsible government is fundamental to economic and social stability. Let's give all Canadians the same kind of renewed hope and opportunity that I witnessed in China last week.

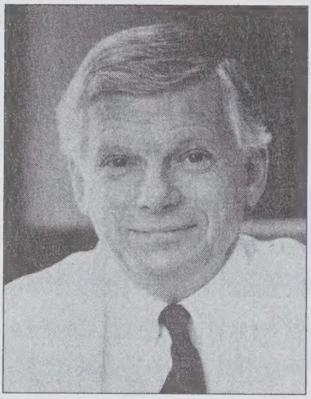
If you haven't travelled to Atlantic Canada recently, come and see the evolution; especially come to Prince Edward Island, a great place to live, play, work and to invest. The policies that have been designed to further economic growth have been working but many are threatened. Don't let misunderstanding contribute to decline.

A plaque at Province House in Charlottetown, where the Fathers deliberated back in 1864, carries this inscription: "They Builded Better Than They Knew." Will the history of the next millennium record that we held fast and true to what they did in Charlottetown in 1864? It will—only if we generate the individual and collective will to make it so.

Join me in making Canada a better place.

Thank you.

The appreciation of the meeting was expressed by Jocelyn Côté-O'Hara, Principal, C_2O & Company and Director, The Empire Club of Canada.



March 1, 2001

Dr. Peter Barnard

Chairman and CEO, Iter Canada

THE WAY TO CLEANER ENERGY FOR OUR PLANET

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Anne Curran, Second Vice-President, The Empire Club of Canada and Director, Corporate Development International; The Rev. Dr. John Gladstone, Minister Emeritus, Yorkminster Park Baptist Church; Rebecca Hart, OAC Honour Student, North Toronto Collegiate Institute, Winner of the Bronfman Award and the Senator Keith Davey Award for Top Scholar at North Toronto Collegiate Institute; Gary Polonsky, President, Durham College and Chairman, Iter Community Council; Don MacKinnon, President, Power Workers' Union; Roger Anderson, Regional Chair, Regional Municipality of Durham; Peter Janson, Chairman and CEO, AMEC-Inc. John Beck, Chairman and CEO, BFC Construction Group; John E. Cleghorn, Chairman and CEO, The Royal Bank of Canada; The Hon. Jim Wilson, M.P.P., Minster of Energy, Science and Technology, Province of Ontario; Gareth S. Seltzer, President and CEO, TWS Petroleum Limited and TWS Private Management Inc. and Past President, The Empire Club of Canada; John Nunziata, Former Member of Parliament and Lawyer specialising in regional government relations; Dr. Evgeny Velikhov, Academian, Academy of Science of the Russian Federation and Chairman, Iter Council; Alex

Shepherd, M.P., Member of Parliament, Durham, Parliamentary Secretary to the President of the Treasury Board and Minister responsible for Infrastructure; Elizabeth Dowdeswell, Former Executive Director, United Nations Environment Program and Chair, Environment Advisory Committee for Iter Canada; Mayor John Mutton, Mayor, Municipality of Clarington; David Drinkwater, Executive Vice-President with responsibility for Corporate Development, Ontario Power Generation; and The Hon. Michael H. Wilson, Chairman and CEO, RT Capital Management Inc. and Former Minister of Finance for the Government of Canada.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, Mr. Peter Barnard, Chairman and CEO, Iter Canada.

These days, the issue of energy is everywhere. Whether it's rising natural gas prices, rising fuel prices, or supply versus demand, Canadians have suddenly become very tuned in to energy options, cost and the future for energy solutions. Although I must say having just returned from a week in the U.K. and Switzerland, Canadian gas prices at the pumps now seem incredibly reasonable!

Iter Canada is a not-for-profit corporation supported by the federal and Ontario governments, universities, labour, industry and local governments committed to locating the world's Iter centre (or cold fusion energy source) here in Ontario at Clarington.

Scientists and engineers from around the world have been working together for over 50 years to successfully develop fusion energy as the way to a clean and sustainable energy source able to meet a large share of the world's future energy requirements.

Formed in 1997, Iter's mandate is to support the establishment of the Iter facility and prepare and promote Canada as its host.

As Chairman and CEO of Iter Canada, Peter Barnard is responsible for the overall direction and leadership of Iter Canada, and has been at the helm of Iter Canada since its inception in 1997.

As an entrepreneur and builder of organisations, Peter has had a remarkable career. In total, he has founded seven different organisations and led major transitions in four others. In total, he had led 11 organisations as either Chairman, CEO or President. My term of President of the Empire Club expires the end of April, just in case you're interested.

A professional engineer, Peter holds a B.Sc. (Honours) in Civil Engineering from Queen's University, a Ph.D. in Mechanical Sciences from Cambridge University and is a graduate of the advanced management programme at Harvard Business School.

Ladies and gentlemen, please welcome Peter Barnard to The Empire Club of Canada.

Peter Barnard

Thank you, Catherine, for your kind introduction.

I'm very pleased and honoured to have this opportunity to address The Empire Club of Canada.

Before I begin, I'd like to extend a warm welcome to our representatives from the federal and provincial governments, our leaders from local government, the international Iter delegations from Russia, the European Union and Japan and our head table members and supporters. It's an honour to speak to such an august audience about Iter, a project that has the potential to affect not only Canada but to change the world.

Iter is the last step in a huge worldwide programme to develop fusion, a new, cleaner energy form for our planet. By winning an international bid to host Iter, Canada has a terrific chance to become the world centre of excellence for research and development in the high-tech energy field.

Today I have the great pleasure—indeed I am proud—to announce that Canada is a leading contender in the global competition to host Iter. Iter is the last stage in a worldwide programme to develop fusion energy and it will be funded by an international partnership between Japan, the European Union, Russia and Canada. Bringing Iter to Canada will have a major positive impact on our economy and on our development as one of the world's leading technological nations.

And we can do this in a uniquely Canadian way: through a public/private sector partnership that would be a world first in the development of international research centres.

If you're wondering why the development of fusion is important in today's world, it's because we are heavily dependent on energy. As examples, you don't need to look further afield than California, our own recent dramatic energy price increases, or any deeper into history than the oil embargo of 1973.

I think you can also see that, while energy crises can arise very quickly, it takes years to find a solution.

And, while our world clearly needs more energy, we also need cleaner energy, because we have to be concerned about greenhouse gases, climate change and pollution. But let me start at the beginning.

The discovery that fusion is the energy that powers the sun, the stars, and the rest of the universe came in the early 1920s. Since that time, thousands of scientists from dozens of countries have devoted their careers to harnessing fusion's power here on earth. To date, the world has invested $75 billion.

Here's the only physics you need to know. As the name suggests, fusion occurs when tiny amounts of matter are forced together to create and release huge amounts of energy. This process is partly described by Albert Einstein's famous equation $E=MC^2$.

The attractions of fusion energy are:

1. Its main fuel source—hydrogen—is available anywhere on earth;
2. Fusion produces no greenhouse gases and is relatively waste-free; and
3. It is inherently safe in operation.

What makes fusion safe in operation is also what makes it difficult to achieve. Fusion requires a precisely controlled environment and any change in that environment will prevent fusion from occurring.

Since the 1950s, the world's scientific community has focused on the peaceful development of fusion as a practical source of energy, with international collaboration as the strategy for achieving that goal.

Scientists from more than 30 countries, including Canada, have spent the last five decades developing their understanding of the physics and other scientific challenges needed to make fusion energy a reality.

Following successful programmes in four major fusion research centres in Japan, Russia, at Princeton in the United States and at the European site near Oxford in England, these countries decided to build a major fusion R&D centre in an international, co-operative effort. This project was named Iter. In fact, the decision to create Iter was made at the 1985 World Summit in Geneva by Ronald Reagan, Mikhail Gorbachev and Francois Mitterand.

Iter is the Latin word for "the way," and it symbolises "the way to cleaner energy for our planet." The goal of Iter will be to answer all the remaining scientific and technological questions. Then a fusion power station can be built to produce electricity—sustainable, clean, fusion electricity.

With a total budget of over $12 billion, the Iter project will be the world's largest, co-operative scientific/industrial programme after the space station.

This is where Iter Canada comes in. I am pleased to announce today that a Canadian offer to host Iter has been prepared. It now needs the federal government's approval to be submitted to the other governments to get us formally into the bidding. Competitive bids to host Iter—and this is really the Olympics of the world's scientific community—are also expected from Japan and from France.

Many international experts view Iter Canada's bid as the best. Our site at Clarington, at the eastern end of the Greater Toronto Area on the shore of Lake Ontario, is broadly agreed to be the greatest, technically, in the world. We provide a welcoming environment in our multicultural setting for international scientists and their families. Canada could begin construction of Iter the year after next and accelerate the start of the Iter programme.

Canada also has the world's only adequate source of the tritium fuel, a form of hydrogen, that Iter needs. And finally, many factors provide our bid with a huge cost advantage over the competition.

Winning Iter would be a fantastic opportunity for Canada, the Province of Ontario, the region and for many sectors of our economy. Let me tell you about some of the benefits.

First, according to a study by Ernst and Young and the University of Toronto, hosting Iter in Canada would create about 68,000 new person-years of work for Canadians. That is a huge number. The total economic impact of so much activity could reduce the combined federal and provincial debts in Canada by more than $6 billion.

Secondly, and perhaps even more significantly, Iter would provide Canada with the largest, most incredible "brain gain" in Canadian project history.

Iter will attract 250 of the world's top physicists and technology engineers and their families to come and live in the Toronto area. At a time when many observers are concerned with this country's brain drain and losing our top-calibre people, Iter will help reverse the tide.

Thirdly, hosting Iter in Canada will immediately increase Canadian industry and university access to the most advanced research and technologies, not just in fusion but in dozens of other fields.

A study by the Impact Group, a technology consulting firm, has identified 66 leading-edge technologies that will be housed in Iter. Fewer than half of these are currently used in Canada to the extent required for this project. Iter will be a true technological gold mine sitting in our midst for Canadian high-tech industries, universities and research centres to exploit.

And who is making this happen? This bid is a real team effort.

Iter Canada—the organisation I'm privileged to head—is a non-profit company formed in 1997 to provide Canadian expertise to the Iter design and research effort, and to persuade governments that Canada is the best place to build Iter. With financial support from the federal and provincial governments, from Ontario Power Generation and from the rest of our members, we have made real progress.

Iter Canada encompasses all sectors of Canadian society. Our members and supporters include four levels of government, four universities stretched across the country, the Canadian labour movement, and 14 leading private-sector companies that offer all of the capabilities and expertise required to build and run Canada's share of the Iter project.

I should add that we have the advantage of the advice and counsel of 10 eminent Canadian environmentalists who comprise Iter Canada's Environmental Advisory Committee.

We work as a team, and with real commitment. Our bid to host Iter has been shared with the provincial government, and is now awaiting federal government approval before submitting it to Japan, Russia and the European Union. We would then begin international negotiations that could lead to an agreement next year to host Iter in Canada.

The federal government can now realise a return on its investment in us, and I would like to thank Minister Ralph Goodale, who is out of town, for his support and encouragement in this process.

I also want to express my appreciation for Ontario Power Generation's commitment to provide the Iter site and the Province of Ontario for its participation. And let me thank Ontario's Minister of Energy, Science and Technology Jim Wilson publicly for his government's support.

To take us to the next step—winning this bid for our country—Iter Canada will need additional resources. Today I am particularly delighted to announce that a group of Iter Canada private-sector and labour members have agreed to provide more than $22 million in new funding to secure the remainder of the bid. This money will enable us to proceed to an international agreement.

These organisations include AMEC, BFC Construction, SNC-Lavalin, Canatom NPM, the Building and Construction Trades Council, the Power Workers' Union and many others.

While it is a carefully considered investment, it also speaks to these organisations' belief in the future of fusion energy and to our ability to win this project for Canada. They are backing this belief with real money.

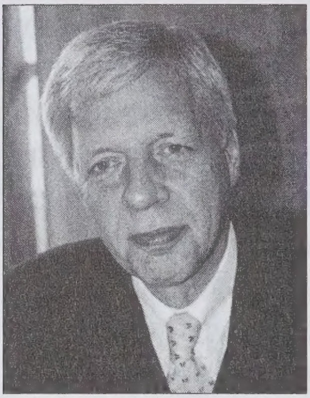
One of the truly innovative aspects of our proposal is that financing the $1.5-billion Canadian share of Iter will be led by the private sector, together with contributions of the site and the tritium by Ontario Power Generation. In other words, hosting Iter in Canada will be a world first: a public/private sector partnership to build a major world research centre.

I'd like to conclude by saying again that Iter is not only a major opportunity that will benefit Canada, but also the last step in a huge worldwide programme to develop a new, cleaner energy form for our planet.

By winning an international bid to host Iter, Canada has a great chance to become the world centre of excellence for research and development in the high-tech energy field. I truly believe Iter Canada can win this bid. We can host the final stage of one of the world's greatest scientific and industrial quests in the past century, and together, we can bring the Olympics of Science and Technology here to Canada.

Thank you.

The appreciation of the meeting was expressed by Gareth S. Seltzer, President and CEO, TWS Petroleum Limited and TWS Private Management Inc. and Past President, The Empire Club of Canada.



March 20, 2001

Dr. Werner Müller

Minister of Economics and Technology,
Federal Republic of Germany

ECONOMIC RELATIONS BETWEEN GERMANY AND CANADA

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

David Agnew, Executive Director, Digital 4Sight and Director, The Empire Club of Canada; Laura Stagi, OAC Student, North Toronto Collegiate Institute; The Rev. Vic Reigel, Honorary Assistant, Christ Church, Brampton; Uwe Harnack, President and CEO, Canadian German Chamber of Industry and Commerce; Christiane Geissler-Kuss, German Consul General, Federal Republic of Germany; Matthew Thenganatt, Director of Finance and Treasurer, BASF Canada Inc.; His Worship Sam Billich, Justice of the Peace, Province of Ontario and Director, The Empire Club of Canada; Yvan Allaire, Ph.D., Executive Vice-President and Member of the Board, Bombardier Inc.; and Hershell E. Ezrin, CEO, GPC International and Chairman, Canadian German Chamber of Industry and Commerce.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, Dr. Werner Müller, Minister of Economics and Technology for Germany.

We are pleased to have Dr. Müller with us here today to learn more about Germany and how it is meeting the challenges of the future, particularly in light of the economic slowdown now being experienced by many sectors.

A major contributor to the European economy and community, Germany has undergone some significant changes in the last decade. Who can forget the television footage about the crumbling of the wall?

Political changes aside, the European Economic Union has also had an impact on trade, industry and the European economic landscape.

Dr. Müller was appointed Federal Minister of Economics and Technology in October 1998. A former professor of economic mathematics and linguistics, he has also worked as Head of Market Research at RWE AG, Executive Manager at E.on and Director of Energy, Sales and Purchases for E.on Electricity. He also served as Advisor to Gerhard Schroder, Minister and President of Lower Saxony.

Ladies and gentlemen, please welcome Dr. Müller to The Empire Club of Canada.

Werner Müller

Ladies and gentlemen: it is a great pleasure to be with you here in Toronto today and to have this opportunity to speak to you. I find it very exciting to experience this special combination of North American and European lifestyles and thinking which makes Canada so unique. It is impressive to see how close our countries have stayed in the centuries since Giovanni Cabato (alias John Cabot) landed in Newfoundland in 1597.

Political and economic relations between Canada and Europe are very sound. This year marks the twenty-fifth anniversary of the EU-Canada Framework Agreement on Commercial and Economic Co-operation. It has created the basis for closer economic contacts and joint ventures by our companies.

Germany has gained much from this economic co-operation. Since German reunification, Canadian investors have invested almost C$4 billion in Germany, particularly in the eastern part of the country.

Inevitably, there have been some differences of opinion between Europe and Canada during the 25 years. Let me just mention words like "fisheries" "hormone-treated meat" or "Eiswein." Despite this, the agreement has proved its worth as a framework for transatlantic co-operation.

And if the media tend to focus more on the more spectacular relations with other major countries, we should be happy about that and leave the headlines to others. We all know that "No news is good news."

Ladies and gentlemen, *The International Herald Tribune* recently had the following headline: "Europe's Star Brightens as America's Dims." And *The Wall Street Journal* asked: "Will this be the European decade?" The headlines show that something has changed in Europe. Germany and Europe are now looking more optimistically to the future.

Last year, the German economy enjoyed 3-per-cent growth—more than twice the rate of the previous year and the previous decade. And our biggest problem, the labour market situation, has eased significantly. But just as important as the figures are the forces driving the upswing: domestic demand and investment are recovering, and exports remain at record levels. That shows the high level of competitiveness of German products on the world markets. And it shows that two years of reforms by the German government are bearing fruit.

We are going through a process of comprehensive structural reforms which will make Germany a much more attractive place to do business.

Let me highlight a few points:

1. The consolidation of public finances. We aim to have a balanced budget by 2006 for the first time since 1973. The budget consolidation creates scope to invest in the future.
2. The Tax-Reform 2000 is resulting in net relief for individuals and companies of roughly 50 billion

euros up to 2005. That is the greatest tax cut in the history of the Federal Republic of Germany.

3. The pension reform we have adopted will bring long-term stability to pension contributions and thus limit the burden on companies.
4. In energy policy, we have taken a fresh approach: for example, our orderly phase-out of nuclear power, and our promotion of viable and environmentally friendly new forms of energy.
5. Since the change in government, innovation and technology policy has been a priority. The words "the German economy" probably make most of you think of cars. But the information and communications technology sector is now almost as large. The financing conditions for young technology-based firms in Germany are some of the best in Europe. We are confident that we shall maintain this impressive dynamism and that we can create 750,000 new jobs in the information and communication sector by 2010.
6. We are boosting major areas of infrastructure with billions of marks of investment in higher education and in the railways.

I think that we can be quite proud of what we have achieved after two years of reforms in Germany. Germany is more attractive for investment than ever. And this view is shared by the German business community.

The upswing will continue this year in Germany and Europe. Both Germany and the EU are expecting a further sharp rise in output of between 2.5 and 3 per cent this year. So Europe has a good chance of becoming—for the first time in a long time —a major driving force in the world economy this year. That has now become particularly important since the previous locomotive of the world economy, the United States, is taking a "breather."

What is the future of the transatlantic relationship? For me as Economics Minister, the priority is on continuing global trade liberalisation. This issue was one of the focuses of my talks in Ottawa. Together with its EU partners, Germany is sticking to its goal of getting a new comprehensive WTO round going as soon as possible. Opening markets and removing barriers to trade are the objectives which unite German and Canadian firms.

However, increasing globalisation also raises the question of the coherence of trade policy with investment, competition and environmental policy, with health and consumer protection, and with minimum labour standards and social standards. That is why Germany—and the EU as a whole—is aiming at a strategy for the new WTO round which takes these aspects into account.

However, the time available before the next WTO ministerial conference in Qatar in November is disappearing fast. One thing is clear: we cannot afford another Seattle-style failure in Qatar! That would do lasting damage to the WTO.

Many developing countries are still not convinced of the advantages they themselves would derive from a new round. We need to build more confidence here. We need to explain that the industrial countries are not aiming to use issues like environmental or social standards to introduce any protectionism. And we need to signal a willingness to open our markets, particularly in those areas in which the developing countries are most competitive.

In order to bring the various interests together and form a consensus, all sides need to show great flexibility. Here, we are also looking to Canada and to the new U.S. administration.

There is no alternative to continued liberalisation and a strengthening of the WTO rules. Despite this, there have been various signs recently that people are concentrating their efforts on the creation of regional free trade. That is the logical consequence of the problems in the multilateral process since Seattle.

A few years ago, there was also talk of an EU-Canada free-trade zone. Like its partners in North America, the EU has taken numerous regional initiatives. They stretch like a "patchwork" around the globe. They have helped to reduce market barriers between member states; in many cases, they have also made it possible for common ground to be found in other policy areas. In this way, regional approaches can support the creation of multilateral rules.

However, one also has to be aware of the danger: an undermining of the multilateral trading system of the WTO. So it is my belief that the multilateral route offered by the WTO is the right path. Here, the patchwork can be woven into a beautiful "Oriental carpet."

That is not to say that we should not also be working to remove bilateral trade barriers. The EU-Canada Joint Action Plan of 1996 and the EU-Canada Trade Initiative provide the right framework for this.

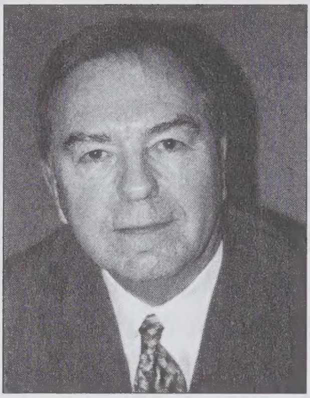
I hope I have shown clearly that we attach great importance to relations between Germany, the EU and Canada. We are on the same wavelength, and we share similar interests in many areas.

But government is only one of the players. Business also has its part to play in transatlantic relations. Business people see some things from a different perspective. So we have to rely on your input.

I shall therefore end with an appeal to you, the business community. Take the effort to tell us your suggestions of how we can improve our economic relations. If you don't get involved, you cannot complain if your wishes are ignored. And even if the wheels of government sometimes run a little more slowly, you can be sure that we will take your contributions seriously.

Thank you.

The appreciation of the meeting was expressed by Hershell E. Ezrin, CEO, GPC International and Chairman, Canadian German Chamber of Industry and Commerce.



March 28, 2001

Michael McCabe

President and CEO, Canadian Association
of Broadcasters

CANADIAN MUSIC AT A CROSSROAD: 10 REASONS WHY CANADA'S MUSIC INDUSTRY NEEDS A NEW POLICY FRAMEWORK

Chairman: **Ann Curran**
Second Vice-President, The Empire Club of Canada

Head Table Guests

The Rev. Douglas Kramer, St. Philips Lutheran Church, Etobicoke; Anne Chain, 96 per cent average Student, North Toronto Collegiate Institute, Assistant Principal, North Toronto Orchestra and Co-op student, HH Angus and Associates Consulting Engineers; Ken Shaw, National Editor, CFTO Television and Director, The Empire Club of Canada; John C. Koopman, Partner, Heidrick & Struggles and Third Vice-President, The Empire Club of Canada; Trina McQueen, President and COO, CTV Inc.; Duff Roman, Vice-President, Industry Affairs and Digital Operations, CHUM Limited; Gary Slaight, President and CEO, Standard Radio Inc.; Claude Beaudoin, President and CEO, Télémédia Radio Inc.; Amber Meredith, Director, Artist Marketing, Sony Music Canada; and Steve Hoffman, Manager, SRO Management.

Michael McCabe

Wilf Carter, Hank Snow, Paul Anka, Neil Young, Joni Mitchell, The Band, David Clayton-Thomas, David Foster, Celine Dion, and Shania Twain. What do these 10 names have in common? They are—in a sense—"10 reasons why Canada's music industry needs a new policy framework."

They are Canadian music artists—Canadian icons really—who had no choice but to go the United States to achieve their full potential. That's wrong. Sure, we want our stars to enjoy worldwide success. But, when Canadian artists are forced to choose between their dreams and their country, we all lose.

We should be able to foster the talents of our stars here in Canada. Think of how successful Quebec has been in fostering its own, distinct star system. People like Lara Fabian and Bruno Pelletier built successful careers in Quebec before going and conquering Europe.

There is no reason why the rest of Canada should not have the same success. Our country must be a place where music artists can establish rewarding careers. And then from their Canadian home base go out and conquer the world. That's what radio wants. That's what the music industry wants. And that's what I want to talk about today.

We have come together on the eve of Canadian Music Week—a celebration of our homegrown music and a reminder of the special business we all, both radio and the music industry, work in.

The music business is different from most others. Millions of people across the country and around the world feel a deep personal, emotional attachment to our product.

Together, we create and disseminate popular music. What we do has symbolic importance; in some cases national importance. As a result, I think it is fitting to ask ourselves: what is the state of Canadian music? After 30 years of government-mandated Canadian content requirements, how strong is our domestic music industry?

Surveying the landscape, it is clear that there is both cause for celebration, and cause for concern.

Celebration, because many of the biggest, most popular music stars in the world are Canadian-born. People like Bryan Adams, Barenaked Ladies, Sarah McLachlan, Shania Twain, and Alanis Morissette.

But there is also cause for concern. Speaking on behalf of Canada's private radio sector, I can tell you that many people are asking the same question: "How are we going to get the Canadian music we need in the years ahead?" Not just from the few international stars I've just listed—but from a broad and rich array of musical talent that Canadians want to listen to.

Private radio broadcasters accept the public-policy goals underpinning the Canadian-content requirements. But many in our industry are concerned about the continued shortage of high-quality Canadian music that appeals to a mass audience. In other words, Canada does not have enough music stars. This is a serious challenge, and one that cannot be overcome through government regulation. Statistics prove this beyond any doubt.

Consider the result of 30 years of mandated Canadian content on private radio. We have had 30 years of constant airplay, first at 25 per cent, then at 30 per cent and now at 35 per cent of a station's playlist. And yet sales of Canadian music have remained at only 10 to 12 per cent of the national total. By comparison, according the Department of Canadian Heritage, roughly 50 per cent of all books sold in Canada are Canadian-authored.

Perhaps a more telling illustration of the state of Canadian music can be found in the results of the auditorium tests conducted by broadcasters and the CAB over the years. For those of you unfamiliar with this method of public opinion research, what we do in auditorium tests is we bring together a random sample of 50 to 100 target listeners in a theatre or a hotel meeting room, and play a series of short excerpts from songs, which we then ask the audience to rate based on a number of different criteria.

What these auditorium tests clearly reveal is that there is a serious shortage of Canadian songs. In the rock category, favourable ratings come in at about 20 per cent and in pop/adult at about 14 per cent.

One recent study found that if you remove four major stars—specifically Amanda Marshall, Alanis Morissette, Tragically Hip and Shania Twain—the level of listener interest in Canadian music drops from 21 per cent to 12 per cent.

What does all this mean? Well, if the natural appetite for Canadian music is 10 to 12 per cent of sales and 20 per cent on the air, when 35 per cent of the music audiences are exposed to is Canadian, I think we can all agree that something is not working.

Now, don't get me wrong. I want to state very clearly—and I hope you all hear this and make note of it—I am not speaking in code. I am not advocating that we revisit the Canadian-content requirements; 35 per cent is our base. What I am saying is that the Cancon rule has done all that it can do. It has taken us to where we are today, where we have a good number of successful Canadian music artists; however it clearly can take us no further. While Cancon has helped lay a solid foundation for the emergence of Canadian stars, we cannot expect this governmental mechanism to nurture the next great flowering of Canadian music.

The private radio industry has long recognised this fact, and has taken a number of active measures to support the development of Canadian music talent. For example, private radio provides $1.8 million a year in direct cash contributions to such talent development organisations as FACTOR, MusicAction and other locally-focussed initiatives. In addition, private radio stations spend $20 million a year in voluntary contributions to promote Canadian talent to listeners, as part of our industry's ongoing effort to build a strong Canadian star system.

Our industry created and funded the Canadian radio music awards, which as you know honour Canada's up-and-coming music artists. One of the features of these awards is that nominees and their music are heavily promoted by private radio stations during Canadian Radio Music Month, a month-long run-up to the awards ceremony.

In addition to these initiatives, the private radio industry is going a step further to help Canadian artists succeed. As part of the CRTC's new benefits policy, private radio operations will direct a minimum of 6 per cent of the value of profitable radio ownership transfer transactions to benefit Canadian talent development.

Over the next eight to 10 years, part of this will be used to boost funding to FACTOR and/or MusicAction, which will receive an additional $18 million. During the same period, other talent development organisations will also see a funding increase of $9 million.

FACTOR and MusicAction work hard supporting the professional development of Canadian artists. They are doing the best they can under the circumstances, but they don't have enough resources. They must be able to support the critical mass and the quality of music necessary to create the base for a strong Canadian star system. The government has to provide them with those resources, and it has an opportunity to do so with Canadian Heritage's long-awaited Canadian Music Fund.

But I think as stakeholders in the music sector we must all ask ourselves: "How can we make these different talent development programmes more effective?" "How can we ensure that they help achieve the goal we all share: a greater number of successful Canadian stars?"

One way is to encourage greater co-ordination between the various programmes. Another is to convince the government to shift its focus; instead of only giving one dollar to 100,000 different artists, in the name of cultural, social, regional and gender diversity, it should also be willing to give $100,000 to one artist—the artist who is going to make it big and create the music that millions of Canadians will listen to.

That is what private radio broadcasters are doing with our new Radio Starmaker Fund and its French-language equivalent, Le Fonds RadioStar, which have been created out of the 6 per cent pool I mentioned earlier. Over the next eight years, we are going to inject some $26 million into these two innovative new funding vehicles.

I'm very excited about these two new funds. We've succeeded in bringing together leaders from all the groups involved in the Canadian music sector; people like legendary music promoter Donald Tarlton of Donald K. Donald Group of Labels in Montreal, and Canadian music star Tom Cochrane. Both these people, and others who share their devotion to Canadian music, are members of the new board of directors for the Radio Starmaker Fund.

The concept behind these two funds is very simple: they are going to seek out and identify the most promising musical artists, and then provide them with the marketing and promotional support needed to help them become stars. Our business goal is very straightforward: we want to increase the supply of Canadian music that Canadians want to listen to. It's a revolutionary concept, I know: we intend to do nothing less than give the people what they want.

In launching the Radio Starmaker Fund and Fonds RadioStar, we agree with the thesis put forward by the *Globe and Mail's* Robert Everett-Green. In a recent article he suggested that the promotional muscle DreamWorks put behind Nelly Furtado's album was at least as important to its success as the airplay it received in Canada.

In effect, the driving philosophy behind our new funds is to focus on quality, not quantity. We strongly urge the government to do the same in the upcoming announcement of its much anticipated Canadian Music Policy. We believe that this goal represents a win-win-win solution, one that benefits the artists, the people of Canada and our two industries.

These two funds and the other measures I've described will go some way toward helping us achieve our goal. However, much more must be done. We must be willing to consider new approaches, new ways of doing things. As we begin a new century, we must set aside comforting old assumptions and confront the new reality. The reality of a global culture, where Canadian artists compete for listeners against those from around the world. The reality of digital technology, like Napster and MP3. The reality of changing demographics, consumer tastes and attitudes.

In order to succeed in the face of global cultural competition and address the challenges of new technology, we must pull together all the elements of the music business. Together we must unite in a common purpose: the promotion and development of our artists and their music.

Last month I saw an example of how this can work when the Barenaked Ladies tour came to Ottawa. In that instance, radio stations, TV stations, the concert promoter, the record stores, the record label and the artists all worked together on a variety of promotions that ensured maximum exposure for the show.

I know that this is not the only example of such a high level of co-operation and co-ordination, but what I'm saying is that we need more of it. And instead of spontaneous eruptions of co-operation, it should be standard practice.

Why? For a very simple reason: partnership yields results. When we're all reinforcing each other, when we're all delivering the same message, we are building awareness. We are creating the buzz that leads to record sales. We are creating Canadian stars.

One of the first steps toward greater co-operation is to strengthen the partnership between the radio industry and the music industry. If we are going to produce high-quality, popular Canadian music, we need a strong music industry and a strong radio industry, both working closely together.

Right now, the balance that has traditionally existed is in danger of breaking down. Perhaps the most telling example of this is in the area of copyright. Now this is neither the time nor the place to get into an in-depth discussion of the copyright issue. Suffice it to say that we must work together to ensure the copyright burden is never so great as to hamper radio's ability to carry out its part of the bargain, which is to provide exposure to Canadian music stars.

After all, with the addition of a tariff for the so-called reproduction right to the two existing copyright tariffs, radio may find itself under the obligation of spending a total of over $50 million a year in copyright tariffs. This burden could have serious, negative consequences. For example, the proliferation of significant new rights payments can hold back investment in new technology by the radio industry.

As American radio moves to new platforms, like the Internet or satellite broadcasting, Canadian radio must be able to keep pace. After all, we are entering an era where listeners will be able to tune into any radio station in the world, at the office, in their car, or walking down the street. In that world, Canadian radio's competitive advantage—the thing that sets us apart in the 500-channel wireless Internet universe—is always going to be the fact that we play Canadian music. However, for this to be an advantage, Canadian music has to appeal to the widest audience possible. We need more international stars, like Celine Dion and Shania Twain.

That kind of pressure, the need to compete against the rest of the world, is bound to put pressures on the music industry as well. I have no doubt that, in the next few years, Canadian music companies are going to face some difficult questions, just as the radio industry did in the 1990s.

For example, should there be consolidation within the music industry? In an era when Canadian companies are banding together to hold their own against foreign competitors, shouldn't the Canadian music industry be considering a similar approach? Does it make sense that there are 239 small companies in the Canadian music industry fighting over $200 million in business, while a handful of multinationals control $1 billion of Canadian record sales? Is it in the interest of Canadian artists that only 23 Canadian sound recording companies have revenues greater than $1 million?

While I recognise that small companies play a crucial role in the music production chain—since they are often the early breeding ground for the stars of the future—I must nonetheless ask the question: "Do these small Canadian companies have the resources they need to give artists the promotional and marketing support demanded by global competition?"

As the Canadian music industry addresses these challenges, it is in everyone's best interest that our two industries work together. After all, we have a history of partnership. The music industry produces the content for radio, and radio acts as Canadian music's number-one talent agent, giving music the exposure that is so crucial to sales success. Echoing many other studies, in a 1996 Angus Reid report, Canadian music buyers identified radio as by far the most influential factor in their music purchase.

More importantly, perhaps, is the intimate connection created by radio between the music and the listener. I think Rush captured it best in their great hit, *Spirit of Radio*: "Invisible airwaves crackle with life. Bearing a gift beyond price, almost free."

This connection will doubtless continue as radio continues to extend its reach. It is becoming a multi-platform medium in its own right, combining broadcast signal, digital radio, satellite carriage, transmission via the Internet, and whatever the next emerging phenomenon is—all simultaneously.

As we go forward, government will continue to have an important role to play in ensuring the future of Canadian music. Perhaps most importantly, government has to develop a flexible, forward-looking policy framework to support our shared goal.

At the beginning of my remarks, I mentioned 10 Canadian artists who were forced to emigrate to pursue their music careers. In closing, I would like to mention 10 other names.

They are 10 names chosen from among the many nominees for Canadian broadcasters' 4th Annual Canadian radio music awards. I'd just like to add, as an aside, that this year the awards are being hosted by Leslie Neilsen, a star who actually got his start working as an engineer, disc jockey and announcer at a Calgary radio station. The awards ceremony will be held three days from now, on March 31.

The 10 nominees—the 10 emerging stars—are Danko Jones, Amanda Stott, Rubber, Souldecision, Bratt Pack, Sarah Harmer, B4-4, Nelly Furtado, Johnny Reid, and Choclair. They are the Canadian music stars of tomorrow, the dreamers, the poets, the artists who capture our hearts and move us—in the concert hall, in our living rooms or on the dance floor.

For their sake, and ours, all of us who are stakeholders in the music industry must embrace change. We must be willing to consider new partnerships, new practices and new policies.

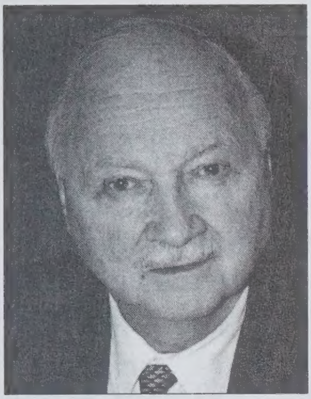
In doing so, we can re-energise our music sector. We can unlock the potential of these and other gifted artists, give them the opportunity to sing out with pride and passion in a myriad of languages and styles, so that Canada's voice is heard in every corner of the world.

It's all about the music. At the end of the day, that's all there is.

Thank you very much.

The appreciation of the meeting was expressed by Ken Shaw, National Editor, CFTO Television and Director, The Empire Club of Canada.

The Hon. Maurice F. Strong, PC, OC, LL.D., Special Advisor to the Secretary General of the United Nations and President, United Nations University for Peace and The Hon. Frank McKenna, Barrister and Solicitor, Fasken Martineau DuMoulin LLP and Former Premier of New Brunswick.



April 3, 2001

The Hon. Maurice Strong

Special Advisor to the Secretary General of the United Nations and President, United Nations University for Peace

DOES THE ENVIRONMENT MATTER TO CANADA?

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

John F. Bankes, Managing Director, Artemis Management Group Incorporated and Past President, The Empire Club of Canada; Reverend Chris King, Rector, Little Trinity Anglican Church; Jennifer Correira, Second-Year Student, York University and Co-Founder and Director, TakingITGlobal; Peter Nicol, Senior Vice-President, CH2M Canada Limited; Rod Taylor, Executive Vice-President, Planning and Development, Hydro One; The Hon. Frank McKenna, Barrister and Solicitor, Fasken Martineau DuMoulin, LLP and Former Premier of New Brunswick; John A. Campion, Partner, Fasken Martineau DuMoulin, LLP and Past President, The Empire Club of Canada; Ed Houghton, CEO, Town of Collingwood Public Utilities Commission; David Menzel, Barrister and Solicitor, Fasken Martineau DuMoulin, LLP; and Andrew Benedek, Founder, President and CEO, Zenon Environmental.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, The Honourable Maurice Strong, Special Advisor to the Secretary General of the United Nations and President of the United Nations University for Peace.

Environmental issues in Canada may not always register on the top of the radar screen for Canadians. In these times when the economy is dominating the news, topics such as water or air quality or the sustainability of our forest or fish resources seemingly take a back seat.

But it was only a little more than a year ago when water quality dominated the headlines with Walkerton and a situation that has national implications. And as we approach another summer here in Toronto, we are all too familiar with the air-quality warnings that will be issued.

Can economics and the environment be separated? Can the environmental movement be passed off as some left-wing preoccupation or do Canadians accept its importance as a lifelong commitment inextricably linked to their economic survival?

Our guest today, The Honourable Maurice Strong is here to speak about Canada's commitment to the environment.

A native of Manitoba, Mr. Strong has awards, appointments, past occupations and associations too numerous to mention, though some of you may remember him as the former chair of Ontario Hydro from 1992 to 1995.

His passion and belief in environmental causes is strong and has garnered him several awards such as Companion of the Order of Canada, the IKEA Environmental Award, the Millennium Award of the Princes Award Foundation in Denmark and the Brazilian National Order of the Southern Cross.

We are pleased to have him with us here today. Ladies and gentlemen, please welcome The Honourable Maurice Strong to The Empire Club of Canada.

Maurice Strong

It is some time now since I have had the privilege of addressing this important forum. I am pleased on this occasion to have the opportunity of sharing with you my thoughts on the current state of the environment, what this means to Canada and what Canadians can do about it—at home and internationally.

The Stockholm Conference in 1972 put the environment on the international agenda. And the Earth Summit in Rio de Janeiro in 1992 brought together more world leaders than had ever before assembled to address an unprecedented series of measures designed to set the world community on the pathway to a more sustainable future. These gave rise to an immense increase in public awareness of, and political attention to, environmental concerns. There has been notable progress in dealing with some of the more immediate and acute environmental problems in industrialised countries—the clean-ups of rivers and lakes, reductions in industrial pollution and improvement of air quality in some of the more seriously polluted cities. These success stories have demonstrated that where there is the will to act it is possible to deal effectively with environmental problems. They made clear the manifest benefits of timely and preventative action.

Nevertheless despite progress in a number of areas, overall the environment continues to deteriorate and risks to the human future escalate along with the forces driving these processes—continuing population growth in developing countries and wasteful, environmentally damaging patterns of production and consumption in industrialised countries. Does this portend, as the doomsayers insist, the demise of the human species or, as the naysayers contend, that the environment "movement" is just another passing fad to which we have already given too much attention?

Let me tell you immediately, and perhaps not surprisingly, where I stand. I believe that the doomsday scenario is entirely possible—indeed probable—if we continue on our present course. In my book on the subject "Where on Earth are We Going?" I present an ominous scenario of the societal breakdown which would be a plausible result of continuing on our present "business-as-usual" pathway. This doomsday scenario is not inevitable. I point to it because I am convinced that it is only by realising that this ominous prospect is a real possibility if we continue on our current course, that we can avoid it. If we can develop the public awareness and political will required to prevent it, we can bring about the much more secure, promising and sustainable future to which people everywhere aspire. I am convinced that this is achievable. But not in the way we are now going about it.

An impressive group of world business leaders in their report to the Earth Summit in 1992 warned that our current industrial model is not viable and called for a "change of course" to a model that is sustainable in environmental and social as well as in economic terms. They made the point that this would be good for business as well as for society and many of them have demonstrated this in their own businesses since then. As British Prime Minister Tony Blair said in a recent speech: "You don't have to be an expert to realise that sustainable development is going to become the greatest challenge we have faced this century." If more world leaders share this conviction and come to the Johannesburg Sustainable Development Summit next year prepared to act decisively, it could yet be a turning point onto the pathway to a sustainable future for humanity.

If this is so, why is it that sustainable development has not yet become conventional wisdom or common practice? Why is it that while some businesses are setting such a good example demonstrating that environmental responsibility and sustainable development are good for business, others are pressing for softer environmental regulation and enforcement. There are even some in the energy industry attempting to shift blame for energy shortages to environmentalism while denying the important responsibility that the energy industry has for its environmental impacts. I am pleased also to acknowledge that some of the most environmentally enlightened and responsible business leaders are from the energy industry.

Why does the environment matter? Why should we allow protection and improvement of the environment to stand in the way of economic growth and complicate management of our businesses? Despite the tendencies of some to consider the environment as a marginal issue, which we can relegate to secondary priority until we have achieved our economic goals, the environment is indeed central to those goals. It is inextricably linked to them and to the means by which we seek to achieve them. The environment in which we live is in fact a product of the multiplicity of conditions provided by nature and modified by human activity on which human survival, health and well-being depend. Sustainable development is the process by which we attempt to manage our impacts on nature so as to effect a positive synthesis between the economic, social and environmental dimensions of the development process to produce an environment that will sustain and enhance human life.

Growth of the human population and the scale and intensity of human activities have reached the point at which we are now impacting on the environment, natural resource and life-support systems on which human life and well-being depend. We are literally the primary agents of our own future; what we do or fail to do will determine the future of civilisation, as we know it. And from all the evidence I have seen I believe that the direction will be set, probably irrevocably, within the first three decades of this century. This is an awesome responsibility, the implications of which we have not really begun to absorb or to incorporate into our political life. It is an ominous paradox that as the evidence becomes more compelling that we are moving along an unsustainable pathway, we are experiencing something of a recession in the political will to deal with the environmental issues which are essential to our future.

Let me cite some of the evidence:

- The use of renewable resources—arable land, forests, fresh water, coastal areas and fisheries on a worldwide basis—is exceeding their natural regeneration capacity. In Canada we have already seen the devastating effect of depleted fish stocks on the communities which depend upon them. Tropical forests and other natural areas that contain most of the world's precious biological resources are diminishing as the result of expansion of agricultural land, human settlements as well as uncontrolled exploitation.
- Twenty-five per cent of the world's land area is affected by soil erosion and other forms of land degradation. Since 1980, 10 per cent of the forests of the developing world have been lost as well as 27 per cent of the world's coral reefs.
- The increasing, pervasive use of toxic chemicals is producing growing risks to human health, contamination of the environment and food chain.
- Emissions of carbon dioxide and other greenhouse gases are exceeding even the modest stabilisation targets internationally agreed under the United Nations Framework Convention on Climate Change. Negotiations to ensure adherence to those targets have stalled and now face the prospect of breakdown, in light of the attitude of the new U.S. administration.
- Government policies, tax incentives and subsidies continue to favour increasing supplies of energy including fossil fuels over improving energy efficiency, reducing the polluting effects of fossil fuels and developing alternative sources.
- Population growth and unplanned urbanisation, concentrated primarily in developing countries, continue to place severe and mounting strains on already stressed and vulnerable eco-systems.

- Most cities in the developing world and many in the industrialised world face the prospect of shortages of potable water and deteriorating water quality.
- Medical scientists warn of a greater risk of communicable diseases—both resurgence of diseases like malaria and tuberculosis formerly thought to have been brought under control and the spread new diseases. As we have seen recently in the outbreak of mad-cow and foot and mouth disease in Europe this can also apply to animals with severe economic and social consequences for people.
- While economic growth in recent years has enabled many people to emerge from poverty, there are still more people suffering from debilitating poverty than ever before and the gap between rich and poor has widened dramatically in both rich and poor countries. Paradoxically the environment suffers both from the excesses of the rich and the strivings of the poor to meet their most basic survival needs. Surely it is an affront to the moral basis of our civilisation—the wealthiest civilisation ever—that we permit such human poverty and suffering to persist. Surely history tells us that societies which tolerate such gross dichotomies and imbalances are not sustainable. It is in this broader context that the issues of environment and sustainable development must be viewed, for environmental health and sustainability is the product of a complex system of cause and effect through which human activities impact on the natural resources and life-support systems on which we depend to produce the conditions which nourish and sustain our lives.

Canadians have a special stake in ensuring the health of the global environment. On a per-capita basis Canadians have custody of a greater portion of the earth's environment than any other people. And with this custody goes responsibility.

In my early career in the international environmental movement I took pride in, and was very much helped by, Canada's strong and enlightened leadership, both in setting an example at home and in negotiating international environmental agreements. We continue to be skilful in presenting our case internationally, but we have a much weaker case to present. Clear-cutting of British Columbia's original forests focused international attention on this aspect of our environmental performance. And the tragic consequences of contamination of the water supply at Walkerton made it clear that Canada is not immune to the water crisis that threatens so many others around the world.

These incidents have pointed out dramatically the fact that though we are one of the world's principal forestry nations and have some 25 per cent of the world's fresh water, we are still not managing our natural resources sustainably. Our forest industry is now making encouraging progress towards sustainability in the harvesting of our forestry resources, as Sweden has already done.

Canada will not meet the Kyoto targets for reduction in its carbon dioxide emissions and remains at the top of the list of the world's largest per-capita contributors to the build-up of greenhouse gases in the atmosphere. And we have no viable plan to meet these targets. We should take no comfort from the fact that measures to do so may be temporarily relieved by the impasse in the climate change negotiations. Delay will only increase the costs and the risks of dealing with this issue, which is of decisive importance to the human future. The irony is that this weakening of the will to deal with climate change comes just as the scientific evidence of the effects we are having on climate and its consequences for our future has become more compelling.

There are some promising bright spots.

At the federal level it is encouraging to know that more resources are now being allocated to the environment. I am particularly pleased to see the new funding that has been extended to energy-saving infrastructure for municipalities and to reduce smog which it is estimated results in premature death of some 5,000 Canadians each year. We can be hopeful, and must be watchful, that this portends a much-needed increase in the priority the federal government accords to the environment and its support for the dedicated but frequently embattled Minister of the Environment, David Anderson.

Under our federal system the provinces bear a major share of responsibility for care and protection of the environment. Ontario, the largest province both in terms of population and the size of our economy, should be in the lead. Yet Ontarians should be deeply concerned that our province has slipped to near the bottom of the list in ratings of Canadian provinces and U.S. states for their environmental performance. The costs of our environmental neglect cannot be avoided; indeed these costs will only multiply when we neglect and defer them. Passive concern is not enough. We must activate our concern to make it clear to our political leaders that they can no longer ignore them. The environment is, indeed, one of Ontario's major assets. It provides the people of Ontario with the quality of life, which makes this the greatest place in the world to live. Ontario's quality of life has been put at risk by the deliberate and systematic downgrading of the environment as a priority and this government's severe cuts to the budget of the Ministry of the Environment and other agencies, which administer and enforce environment and related regulations. The Walkerton tragedy is I suspect just the first portent of the immense costs we will pay for this—in both human and economic terms. Let me make clear that my intention in pointing this out is not to condemn the government but to convince it.

There is persuasive evidence that the cost of environmental protection and preventive measures is far less than the cost of deferring them until they have damaged human life, health and well-being. This is an issue to which all Ontarians should hold their political leaders to the highest standards. It is essential to support those committed to revitalising the environmental integrity of this province, and making it a world-class example of a sustainable society. Governments will act when people compel them to do so. For however committed it may be, a government cannot go far ahead of the will of its people. And however reluctant or regressive a government may be, it cannot fail to respond to the concerted will of its people. So if Canada is to lead, Canadians must lead.

The performance of corporations and the behaviour of individuals is the key to sustainable development. It is strongly influenced by the system of tax incentives, subsidies and regulations that governments put in place. The best single thing that Canada could do to revitalise its return to leadership at the United Nations Summit on Sustainable Development to be held in Johannesburg, South Africa, next year would be to review and revamp this system so as to provide positive incentives for sustainable development. I urge Finance Minister, Paul Martin, whom I know has a strong commitment to the environment, to move this to the top of his agenda. The broad respect he enjoys internationally and his chairmanship of the recently formed Group of Twenty give him a special opportunity to take the lead in this.

Developing countries which first saw the environment as a disease of the rich that threatened to divert attention and resources from their own primary concerns with development and relief of poverty are now taking the environment issue more and more seriously. It is not that they are heeding the rhetoric of the North but rather that they are experiencing acute environmental problems of their own and realising the cost in economic and human terms. They continue to insist with good reason that industrialised countries, which are the primary sources of the global environmental crisis, bear the principal costs of dealing with it. And it is clearly in our interest to do so. For developing countries cannot be denied the right to grow and in doing so they will inevitably become the main contributors to such global environmental risks as climate change. Indeed our environmental future will be primarily decided by developing countries. It is essential that we facilitate their access to the financial resources and technologies they require to make the transition to sustainable development. This would not be an act of charity on our part but a sound and necessary investment in our environmental future.

No nation is better positioned to take the lead in this than Canada. Despite our lagging performance at the government level, Canada still has an important legacy of credibility and experience from its past leadership and the important role that Canadians have played in the international environmental movement. We have a great deal of professional expertise and technological capacity in the field. And we have progressive companies like Husky Injection Molding Systems and Noranda Inc. that are setting a good example in their fields. Canada has built as one of its most promising and dynamic growth sectors a world-class environmental services and technology industry. It has a great potential for further growth and job creation, particularly if our governments begin to accord higher priority to the environment. My own principal business activities are concentrated in this field through my association with CH2M Hill and Zenon Environmental Inc., both world leaders in their fields.

One of the most successful results of the Earth Summit has been the adoption by over 3,000 cities and towns around the world of their local Agenda 21 based on the global Agenda 21 agreed at Rio. The organisation driving this process, the International Council for Local

Environment Initiatives (ICLEI), is headquartered here in Toronto which I am pleased to say has taken some innovative and effective initiatives to improve its own environment.

I am persuaded that the 21st century will be decisive in determining the future of the human species. As the dominant species on this planet, we are a species now out of control. We have no option but to manage more effectively the actions by which we are shaping the human future and indeed all life on earth. We can only do this in co-operation with other nations and the full engagement and participation of all sectors of our societies. In this, no nation, however powerful, can go it alone. And no government can do it alone. We must develop far more effective means of engaging the various sectors of civil society in this process and bring them in off the streets to the forums and the negotiating tables where decisions are made.

All nations have always been willing to accord highest priority to those measures required to ensure their own security. The risks the human community faces today to the life support systems on which all life depends are greater than we face or have ever faced from our conflicts with each other. To be sure, the prevention of conflict and preservation of peace remain a central priority and one which is linked intrinsically and systemically with the need for environmental security and sustainability. This is why in my own life I am focusing my efforts on revitalising the University for Peace established some 20 years ago by international agreement approved by the UN General Assembly to serve and support the peace and security goals of the United Nations through education, training and research. We have forged a strategic alliance with the Earth Council, a people-based non-governmental organisation dedicated to implementation of sustainable development and ensuring environmental security particularly at the grassroots level.

Not all issues need to be managed at the global level. In fact, most do not. I am a great believer in the principle of subsidiarity under which every issue is managed at the level closest to the people concerned at which it can be managed successfully. Global environmental and sustainability issues and others related to peace, security and the economy require a degree of global co-operation which goes much beyond anything we have yet put in place. World government is neither necessary nor feasible. But we do need a world system through which nations and people can co-operate in dealing with issues which none can deal with effectively alone.

Finally let me say that despite my warnings that we must take the prospect of doomsday seriously I am an optimist. Operationally, pessimism would be self-fulfilling. We have a civilisation that is based on an unprecedented degree of knowledge on the part of people which enables us to understand our dilemma and to develop solutions for virtually every problem and challenge we face. The wealth of our civilisation is unprecedented as is the capacity to produce new wealth. But any economic system, which exacerbates the imbalances and inequities within our societies, will ultimately be self-defeating.

We have learned a great deal about the damage we are doing to ourselves by the same processes by which we have created the unprecedented prosperity enjoyed by our industrial societies. We have developed techniques and technologies that permit us to deal effectively with these problems and to provide all of the peoples of the earth the access to a better life that is within our reach. Why then, if we have the knowledge and we have the means are we not concentrating our attention on creating that better future rather than continuing on the pathway to doomsday? After many years working in this field I am deeply convinced that the real issue is motivation. I have already mentioned the importance of governments in motivating the behaviour of corporations and individuals.

At the deepest level all people and all societies are motivated by their moral, ethical and spiritual values. This is the reason that I have been focusing so much of my own efforts in co-operation with Mikhail Gorbachev and many others around the world in developing a "peoples" Earth Charter—a set of basic moral, ethical and spiritual principles which can be embraced by people of all religions and philosophies to guide their behaviour towards the earth and each other. I proposed this to the world leaders gathered in Rio de Janeiro for the Earth Summit in 1992. But they were not ready for it. Literally millions of people around the world have now joined the movement applying it in their own lives and commending it to their leaders for their endorsement at the Sustainable Development Summit in Johannesburg next year. If it can motivate them to commit themselves to the change of course, which Rio failed to achieve, it could move the world out of the current environmental recession on to the pathway to a more secure and sustainable future.

The appreciation of the meeting was expressed by John A. Campion, Partner, Fasken Martineau DuMoulin, LLP and Past President, The Empire Club of Canada.

April 5, 2001

The Rt. Hon. Madame Chief Justice Beverley M. McLachlin

Chief Justice of Canada

GOOD JUSTICE: A GLOBAL COMMODITY

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Heather C. Devine, Associate in Litigation, Fasken Martineau DuMoulin LLP and Director, The Empire Club of Canada; Rev. Dr. John Niles, Victoria Park United Church; Neil Lacroix, Grade 12 Student, Leaside High School and Winner of the Rotary Club "Junior Prose" Contest; Dorothy Quann, General Counsel, Xerox Canada; Wendy Kelly, Vice-President and Associate General Counsel, BMO Nesbitt Burns Inc.; John A. Campion, Partner, Fasken Martineau DuMoulin LLP and Past President, The Empire Club of Canada; Ronald G. Slaight, Q.C., President, Advocate's Society; Robert Armstrong, Treasurer, Law Society of Upper Canada; and Malcolm J. MacKillop, Partner, Borden Ladner Gervais LLP and Director, The Empire Club of Canada.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, The Right Honourable Madame Chief Justice Beverly McLachlin.

One of the first things you learn as a student of political science are the three levels of power in the Canadian system—Parliament, the Senate, and the Judiciary. While political news and the carryings-on of politicians tend to dominate news coverage, we often forget the significant role played by our legal system and in particular the Supreme Court of Canada whose decisions influence and set policies for the nation, causing laws to be struck down or re-written.

Rulings in landmark cases such as native land treaties, abortion, and the recent Latimer case have changed the course of Canadian history. For most Canadians, I dare say, the Supreme Court is an unknown entity. But the Canadian motto of "peace, order and good government" (although one may question how much of the latter we actually have in Canada) verbalises our value of justice, order and lawfulness. We don't necessarily realise how fortunate we are until news coverage highlights life in other parts of the world where lawlessness is the order of the day.

Our guest today plays a special role in Canada's justice system. After articling and practising law in Edmonton in the late 60s and early 70s, Chief Justice moved to B.C. where she was called to the bar. From 1975 to 1981 and in addition to her practice, she was also an Associate Professor at the Faculty of Law at the University of British Columbia. In 1981 she was named to the Supreme Court of British Columbia and was named Chief Justice of that Court in 1988. In 1989, she was sworn in as the third woman to serve as a Justice of the Supreme Court of Canada. And on January 7, 2000, she became Chief Justice of Canada.

When I became President of the Empire Club last May, this luncheon was one of the first that I arranged. As a female president of dare I say, a club that has been known to be overly represented by men (perhaps not unlike the legal profession), I have been looking forward to this luncheon for a long time. One of my favourite expressions is "Women Rule" and with today's guest, this is certainly true.

Ladies and gentlemen, please welcome The Right Honourable Madame Chief Justice Beverly McLachlin to The Empire Club of Canada.

Beverley McLachlin

Today I would like to share with you some thoughts on justice—as you might expect of a Chief Justice. However, my focus is not trained, as it usually is, only on Canada. It aims rather at the world scene. Hence my title, "Good Justice: A Global Commodity."

My theme may be simply stated: Good justice systems are essential to human, social and economic development everywhere in the world, and Canada has an important role to play in their enhancement.

My conversion to the cause of international justice came to me rather late. Certainly, I had participated in international legal conferences over my 18 years on the bench before becoming Chief Justice. Certainly, I believed that justice everywhere was important and that we in Canada owe the world a duty to advance it. But not until last year, when as Chief Justice I found myself meeting with other Chief Justices here and abroad did I realise the full significance of justice as a global commodity and how much other nations look to Canada in their quest to achieve it.

Since becoming Chief Justice in January 2000 I have visited India, Morocco, China, Korea, Singapore and Israel. We have also welcomed to Ottawa the Chief Justices of Australia, India, New Zealand, South Africa, Hong Kong and France, and hosted study groups of judges from China, Russia, Croatia and India. Along the way jurists and lawyers from a host of countries around the world have visited our Court and other Canadian courts in order to learn more about our judicial system.

All these people stressed two things. First, they were determined to improve the legal and judicial systems in their own countries. Second, they admired the Canadian system of justice and looked to us for ideas and assistance. In the remainder of my time, I will comment briefly on each of these points.

The Worldwide Quest for Better Justice Systems

Confronted with the seeming preoccupation everywhere on the globe with better justice, I found myself asking two questions that mirror the message other countries are sending us. First, why is the world so interested in better justice systems, and more precisely, why now? Second, given the interest, what are the hallmarks of a good justice system? How precisely can we in Canada help? What have we to offer?

On the first question of the reasons for the current interest in justice, I came to the conclusion that the answer lies in the relatively recent recognition by authors, international organisations and countries throughout the world that without effective justice systems and the rule of law they cannot achieve human, social and economic development.

A consensus seems to be emerging among those who study the conditions for national progress that an essential condition of progress is the rule of law and an effective, independent, justice system. It has long been accepted that without the rule of law and effective justice systems, human rights and social advancement may falter. But in the past decade it has also been recognised that these are essential to economic development.

European scholar Michel Herbiet, for example, suggests in "Rule of Law and Transition to a Market Economy" (European Commission of Democracy Through Law, 1994), that success in a market economy requires laws that promote two values—freedom of contract and equality of parties before the law. Implicit in this conclusion is the need for the rule of law and an effective justice system without which laws lose their force and function.

Similarly, Harvard economist Robert Borro argues that the key contributions a government can make to economic growth are:

- providing and encouraging secondary and post-secondary education;
- providing and encouraging effective health care;
- promoting birth control;

- avoiding non-productive government expenditures;
- keeping inflation below 10 per cent per annum; and last but not least
- enforcing the rule of law.

The rule of law and an effective judicial system to resolve disputes is essential to encouraging investment and promoting growth. Absent the rule of law and independent, impartial courts, investors will not invest and the economy will not grow.

International organisations have taken up the same theme. The United Nations is increasingly emphasising the need for the rule of law and effective independent court systems in promoting human rights and improving the position of women, children and the millions of human beings marginalised by poverty, war and crime. The seminal document of the rights revolution was the Universal Declaration of Human Rights, whose 50th anniversary the world recently celebrated. The Declaration of Human Rights gave rights to individuals for the first time in international law. In the years that followed, other international declarations of rights were introduced, including the United Nations Declaration of the Rights of the Child, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights.

On the economic front, the World Bank is now stressing that underdeveloped countries must improve their legal and judicial systems. The World Bank is insisting that these countries improve their legal systems as a condition of receiving aid and is underwriting projects in judicial education around the world. And the influential Davos group includes justice among indicators of national and economic progress, ranking nations by reference to their justice systems in its annual survey.

In short, justice is no longer just a matter of rights and fairness; it is increasingly seen as a basic condition of economic progress. When institutions like the World Bank talk, the world listens. Suddenly I understood why so many countries on so many continents were avidly interested in better justice.

This brings me to my second query: what are the building blocks of an effective justice system? What do the countries that lack good justice systems need to do to achieve them? The answer is that they must focus on two simple things—good laws and good procedures.

Good laws respect equality and freedom of contract, as Herbeit points out. They promote opportunity—not just for a few but for all. They discourage discrimination. They enable people to realise their full potential. This produces individual, social and economic benefits. In addition to these content-related attributes, good laws possess certain formal attributes. They are clear. They are accessible. They strike a healthy balance between stability and change to meet new needs. In these ways good laws allow people to plan and invest in their own and their nation's potential.

Good procedures are as important as good laws. Good procedures are concerned not with the content of the law, but with the process of the law; in short with the rule of law. No matter how good the content of laws, unless there is a transparent means of enforcing them independent of influence of private powers and government, they will be undermined. The law will no longer govern; individual fiat and arbitrary power will take its place. The rule of law is more than rules; it requires an independent legal profession to bring violations and disputes to court and independent judges to try the cases they bring forward.

The new democracies of the former Communist block in Europe as well as countries in Asia and Africa face enormous challenges in putting in place good laws and good procedures.

First, good laws. Many ex-colonial countries have updated legal systems inherited from pre-independence colonial regimes; for them the task of getting a good legal system in place may be manageable, although even here the task is difficult, as the recent decline of Zimbabwe's once proud justice system attests. However, other countries are not so fortunate. Former communist countries often have found themselves substantially replacing their laws with new, democratically oriented laws. Some did not even have a coherent legal system. For example, the communists who came to power in China 50 years ago saw the law as the tool of the defeated Emperor and the power elites who had ruled China in centuries past. They largely dismantled the legal structure. What grew up in its place was again rooted out in the cultural revolution. With the opening of China in the 1990s came the realisation that good laws were essential to the country and its economic growth. This has led to a massive programme of law reform—new criminal laws, a new contract code and a new law of trusts now in the making. The list goes on and on.

Second, good procedures. Here the task may be even more difficult than that of enacting good law. People from emerging democracies may find it difficult to understand what judicial independence means, much less how to put it in place. The concept of judges deciding cases against the ruling party strikes many as impossible. The idea that a judge would not at least consult the minister involved on a serious state matter may seem even stranger. Those in power equally may have difficulty understanding why they should not demote a judge who rules against the government or send him or her to some remote backwater, or why they should not issue policy directives to the courts, as happens for example in China.

We take judicial independence for granted. It has been the lynch pin of the Anglo-Saxon legal tradition for over six centuries, as exemplified by a story told of King Henry IV and his son Prince Hal, later Henry V.

In the year 1401 A.D. during the reign of Henry IV, a convicted wrongdoer, who happened to be a servant of Prince Hal, came before William Gascoigne, the Chief Justice of England, for sentencing. Young Prince Hal marched into Court and ordered the officials to release the prisoner. The Chief Justice refused. "Your servant has broken the law," he told the Prince, "and must be punished by the law. If you wish to save him you must go to the King, your father and beg mercy from him. He can grant it if he thinks fit. Now I pray you leave the court and allow me to deal as I think just with the prisoner."

The young Prince flew into a rage and struck the judge. The Chief Justice, however, remained unmoved: "Sir, remember that I am here in the place of the King, your lord and father. In his name, I charge you to give up your sword for your contempt and disobedience. I send you to prison. There you shall remain until the will of your King shall be known." Apparently, the Prince's anger vanished at this. Taking off his sword, he bowed humbly to the judge and went quietly to the prison.

We're not sure how long the King left his son in gaol. But we have in ballad form an account of what Prince Hal, now Henry V, said to Judge Gascoigne on the occasion of his retirement from the Bench:

Happy am I, that have a judge so bold,
That dares do justice on my proper son;
And not less happy, having such a son,
That would deliver up his greatness so
Into the hands of justice.

While we have lived with the concept of judicial independence as the bedrock of the rule of law for a very long time, the same is not true for much of the world, where people have a hard time understanding judicial independence, much less implementing it.

Old habits of corruption may prove hard to break and confidence in judicial impartiality hard to instill in a doubting population. A country may set up a judicial system that on paper seems independent. It may tell people that they can trust the judges. Yet the people, after filing their writs at the front door of the courthouse, may still slip round to the back door for a private word, or a gift, for the judge. These countries find themselves caught in a vicious circle. Without confidence in the judicial system, more transparent legal processes have difficulty getting off the ground. And without transparent legal processes, how can they hope to build confidence in the judicial system? The western observer is struck anew by the importance of what we take for granted—public confidence in the legal process. Only when it is absent does one realise how vital it is to the rule of law and how difficult it is to achieve.

Another problem is to establish an educated, legally trained judiciary. Consider the situation of China. Three years ago China amended its constitution to expressly endorse the rule of law. During the last decade, China has embarked on an ever-accelerating programme to revamp its courts and improve the quality of its judges. Thousands have come to North America and Europe to study western legal practices. Yet in a country of 1.3 billion people, the effort inevitably falls far short of what is required. On our visit to China last June, Premier Zhu Rongi asked me what cities we were visiting. "Beijing, Shanghai, Szenchen and Hong Kong," I replied. "Ah," he said, "you will see the best." In the countryside, he went on, things were very different. "We have 180,000 judges in China, and only 10 per cent of the them are legally trained," he advised. "Judicial training is a number-one priority."

Everywhere in the world, people are recognising that the rule of law and justice is impossible without legally trained judges. Consequently, training judges has become something of an international industry in which Canada plays an important part. Private governments and international organisations like the World Bank are funding programmes to train judges in Europe, Asia and Africa. Through these programmes, public agencies, law firms and judges themselves are at work in a global effort to upgrade the qualifications of judges.

Two years ago, before I became Chief Justice, I visited China for the first time. I went as a tourist. On the last night of my stay in Beijing, I received a call from the Canadian Embassy, which had learned that I was in the city. "Would I like to visit the Beijing Judges College?" they asked. I had nothing particular planned for my last day in the city and agreed. The next morning I found myself being driven to a campus outside the city about the size of a small Canadian university. There a professor, a Canadian, introduced me to a class of 22 Chinese judges. These judges, who at best could only have learned late the night before that I was coming, stood up one by one and told me about papers they had written on cases from the Supreme Court of Canada. The topics covered the contemporary legal gamut—judicial independence, judicial review, criminal law, human rights, women's rights and so on and on. I was astonished at the sophistication of their understanding and analyses of our law. I was also embarrassed that I had simply assumed, if I thought about it at all, that people in China did not care about the same things I cared about—just laws and a fair and transparent legal system. Certainly, as the Premier admitted to us a year later, the challenges to one day establishing an independent and educated judiciary and a transparent legal system in China are enormous. But a start is being made, and that, it seems to me, can only be good.

The more I learn of the challenges developing countries face in establishing the rule of law, the more impressed I am with the importance of a fair and transparent legal process and an independent judiciary. Indeed, I am convinced that if fair processes and an independent judiciary can be established, good laws are sure to follow. A young judge in China who had trained abroad put it to me succinctly. "Once we establish judicial independence for commercial matters, fair process in matters of human rights will follow."

This led me to ponder the history of our own rights. In England, an independent judiciary and fair legal system came long before democratic government and full recognition of human rights. Could it be that the best way to bring about progress toward democracy and universal human rights is to first and foremost establish open and independent courts? The idea that the humblest person can go to the court, be listened to and receive a fair and impartial decision against a more powerful person or even the state is an empowering idea. Once people understand they have this power, can democracy and human rights be far behind?

Canada's Role in Enhancing Global Justice

This brings me to the second proposition I put at the outset: the assertion that Canada has an important role to play in helping countries throughout the world improve their justice systems.

I do not suggest that Canada is the only country that developing nations are looking to for models and assistance in improving their laws and their justice systems. There are many fine justice systems in the world and developing nations comparison shop and take good ideas where they find them. Dominant influences are often related to historic, cultural and linguistic factors. Thus many eastern European states have adopted the German judicial model as their primary inspiration; French African states tend to look to France; British African states look to Great Britain and the Commonwealth. Yet the same countries often look to Canada as well.

The reasons are many. First, the world ranks Canada's justice system highly. Canadians are a modest people, popular wisdom has it. Our unawareness of how the world sees our justice system arguably bears this thesis out. The Davos Institute in its report for the year 2000 ranks Canada's justice system second in the world, just behind Denmark, a smaller, less complex country. And if Canada is ranked by the United Nations as the best country in which to live, one reason lies in our fair, transparent and empowering legal institutions. My point is not to blow our collective horn, but simply to suggest that one reason the outside world sees our country as a place to look in its quest for better justice systems is simply because from the outside, our system looks pretty good.

Second, Canada has a non-colonial and hence non-threatening international image. We are not a big power. We recognise and respect cultural diversity. We are less likely than some to insist that our way is the only way and to recognise that each country must find its own path. At the same time, we have developed an active practice of looking to other jurisdictions to see how they settle problems—what we lawyers call comparative law. We are, in short, a comfortable fit.

Third, Canada's legal traditions constitute a rich and varied store from which to borrow. If you're looking for a legal shopping mall, we just about have it all. We have the basics—good laws and a strong independent judiciary. But beyond this, we are well placed to offer special assistance because of our unique historical experience.

If you are a bi-jural country with different legal systems, Canada, with the civil law in Quebec and the common law in the other provinces, can help. And even if you are not bi-jural, whatever your tradition, civilian or common law, you can find it in Canada.

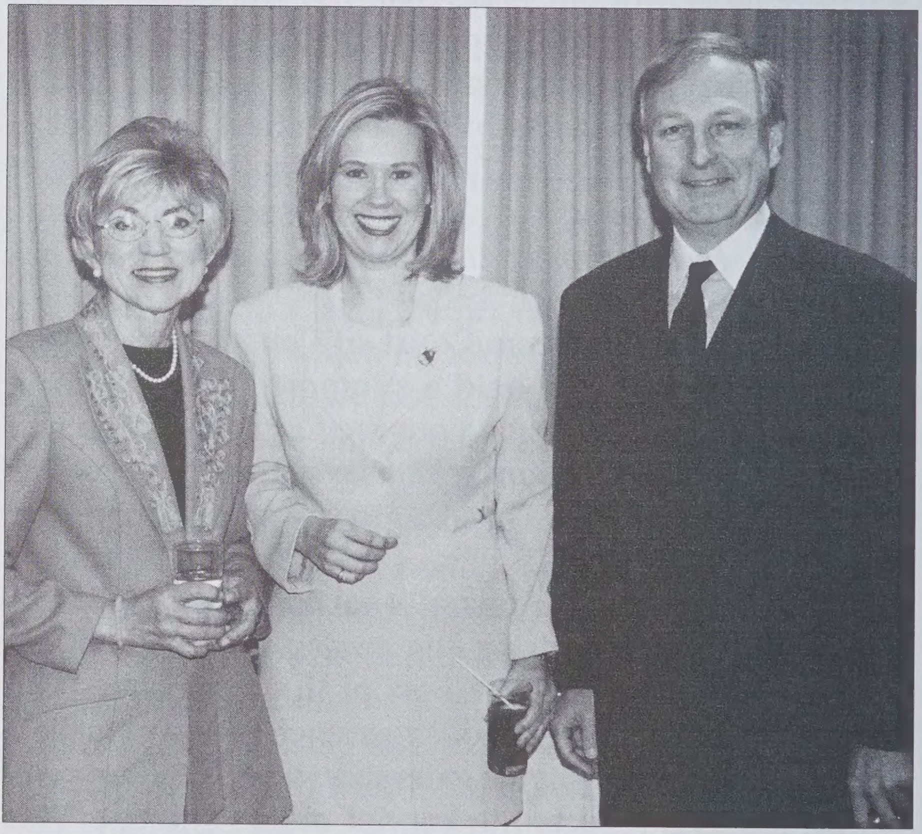
Again, if you're looking for a human rights tradition that combines the best of Europe and North America, Canada is the place to come. Our Charter, a uniquely cosmopolitan document, was written to preserve the individual rights so important in the United States while acknowledging that sometimes rights must be limited by each other and by greater public goals. It is not an accident that rights law in Canada, Israel, Germany, the European Court of Human Rights at Strasbourg and South Africa, dip so frequently into each other's jurisprudence. Viewed from a global perspective, Canada is very much in the mainstream of human rights law.

Finally, if your problem is how to use the law to reconcile conflicts in a multicultural society—a problem many developing countries face—Canada is a good place to come. Since the Quebec Act in 1775, we have been using the law to protect minority cultural, religious and linguistic rights in a peaceful, respectful way. And we have been successful. We have had tense times, yes, and doubtless will have more. But the fact is that over the course of two centuries we have built and maintained a nation that offers its citizens peace, security and an enviable quality of life. That is success. As John Ralston Saul points out in *Reflections on a Siamese Twin*, Canadian history in fact goes back a long way. It is a history of successful accommodation. And the main instrument in achieving that accommodation has been the law.

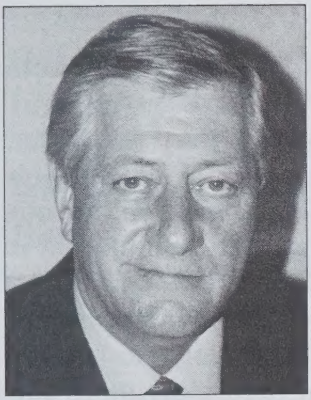
Last year the Supreme Court of Canada marked its 125th anniversary. We held a symposium to mark the event and to look back at where the Court had been and ahead at the Court's future role. One of the conferenciers was Michael Ignatieff. He had this to say on why the world looks to Canada when it comes to justice: "One way to explain the growing international importance of the [Supreme] Court's decision [on secession] is negatively: we have the problems the rest of the world needs to solve… We have 140 years of experience trying to make a multi-national, multi-lingual federation work. Our jurisprudential thinking reflects the imprint of this struggle. This experience is suddenly very relevant to the new states that are trying to hold differing nations and languages together inside fragile legal orders. Our very vulnerability as a nation, our constant need to improvise group rights solutions to keep the country together, turns out to be a comparative advantage in the world market for legal expertise. We've become experts in the new arts of constitutional survival."

Yes, justice, on the eve of the 21st century, is a global business. And Canada has an important role to play in its development.

The appreciation of the meeting was expressed by John A. Campion, Partner, Fasken Martineau DuMoulin LLP and Past President, The Empire Club of Canada.



The Rt. Hon. Madame Chief Justice, Beverley M. McLachlin, PC, Justice of the Supreme Court of Canada, Heather C. Devine, Associate in Litigation, Fasken Martineau DuMoulin LLP and Director, The Empire Club of Canada and John A. Campion, Partner, Fasken Martineau DuMoulin LLP and Past President, The Empire Club of Canada.



April 10, 2001

The Hon. Mike Harris

Premier, Province of Ontario

ONTARIO'S ECONOMIC REVOLUTION

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

The Most Rev. Terence E. Finlay, Archbishop of the Ecclesiastical Province of Ontario, Anglican Church of Canada, Archbishop of The Diocese of Toronto and Honorary Chaplain, The Empire Club of Canada; George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada; John Sadler, Managing Director, Clairvest Group Inc. and Director, The Empire Club of Canada; Willis L. Blair, Former Mayor of East York, Vice-Chairman, Toronto East General Hospital Foundation and Director, The Empire Club of Canada; Tom Long, Consultant, Monitor Group; Robert Williams, Director, Ontario Legislature Internship Program; Robert J. Metras, Vice-President, eHealth Solutions Group, BCE Emergis; D'Arcy Delamere, Vice-President, Group Insurance, Clarica; Lillian Morgenthau, President, Canada's Association for the Fifty-Plus; Andre Turcotte, President and CEO, Feedback Research Corporation; Borden Rosiak, CFO, Toronto's Bid for the 2000 Olympics; and Ron Loucks, Executive Vice-President, eHealth, BCE Emergis.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, The Honourable Mike Harris, Premier of Ontario and M.P.P. for Nippissing.

On April 19, a new session of the Ontario Legislature will begin. *The Globe and Mail* this past weekend highlighted significant job growth for Canada last month while at the same time pointing out the economic challenges for Canada going forward in light of what is happening with our neighbours in the United States.

Ontario has enjoyed a period of unprecedented economic prosperity and job growth since the mid-nineties. And if the economic prosperity of Ontario is the film, then starring in the leading role of getting Ontario back on track through economic policies for business and taxpayers is the current Ontario government led by Premier Harris.

For those Ontarians who are not connected to government or politics, government is often seen as some remote entity functioning only to interfere through regulation or taxation in everyday lives. Making government "real" or showing the value of government to those just trying to earn a living to support their family is a huge challenge.

Approaching the two-year mark of its second mandate, next week the Mike Harris government will lay out its plan on how it will prove the value of its government to Ontarians. Having gained a reputation for doing what he says he will do, Ontarians are looking to Mike Harris for leadership to make sure the current economic challenges are just a speed bump on the road of Ontario's prosperity.

First elected as Premier in 1995 and re-elected with a second majority government in 1999, thereby making Ontario history, ladies and gentlemen please welcome the Premier of Ontario, The Honourable Mike Harris, M.P.P. for Nippissing to The Empire Club of Canada.

Mike Harris

It's a great privilege to be speaking to the Empire Club today.

It's always a pleasure to be here and to speak to this organisation that dedicates itself to addressing the important issues facing our province and our country. And it's great to be joined today by friends, colleagues and leaders of the business community.

We all want the same things for Ontario. We all want this province to be a place where hard work and innovation are rewarded.

Since 1995, our team has set out to make a difference. We were elected to make tough decisions and we made them.

Our critics said we wouldn't be able to keep our promises to cut taxes. They said we couldn't balance the budget. But our critics were wrong. We did what we said we would do—and Ontario prospered as a result.

While we have accomplished a lot together, we can't afford to stop moving forward. That's why I'm proud to see a relentless desire for innovation in so many of our Ontario businesses.

In fact, just this morning I visited a downtown Toronto business—Q9 Networks. Q9 is a made-in-Ontario, high-tech success story. It provides a secure environment for business Web servers so that companies are protected against costly glitches in e-mail and Internet service. Just yesterday they announced a $100-million expansion here in Ontario that will lead to the creation of 100 new jobs. Q9 is an example of tens of thousands of other businesses, entrepreneurs and risk-takers who have helped to create jobs to get Ontario back on the right track. And we need more of them to keep Ontario's economy strong into the future.

I don't have to tell you that we live in a constantly changing, competitive global economy. You compete not only with businesses in other provinces and states, but also with businesses in countries around the world. Ontario must continue to change or risk being left behind. Canada must change or risk falling further behind.

Six weeks ago, Charles Baillie, TD Bank Chairman and CEO, spoke to the Canadian Club. I'm sure that a number of you were in the room. He talked of how Canada's disposable income has fallen behind that of the United States; how our standard of living has declined relative, not only to the United States, but to countries such as Denmark and Norway, that traditionally have lagged behind us. In the 60s and 70s, Canada led the United States in per-capita economic growth. During the 80s, the States led us. During the 90s, the gap increased. Over the past few weeks, we've watched the dollar fall to a near record low.

Now, these statistics apply to the Canadian economy as a whole. As I have said, Ontario's economy has been strong. But Ontarians are Canadians first. The Canadian dollar is our dollar. And the national economy is important to our provincial economy.

Yet in his February speech, Charles Baillie did not focus on the past or bemoan Canada's economic predicament. Instead, he issued a challenge: "to increase our standard of living so that in 15 years it is not just equal to the United States; it is better."

His challenge is ironic, because it echoes the goal that my team has set for the Province of Ontario: to have the best-performing economy and the highest quality of life in North America over the next 10 to 15 years. It is an ambitious, audacious goal just like Mr. Baillie's. But I am confident Canada can rise to Mr. Baillie's challenge—just as Ontario can rise to the challenge we've set.

The question is how do we meet that challenge? What steps do we take? What is clear is that we won't meet that challenge by offering failed, stale ideas. Our country and our province cannot move forward by going back to the twisted logic of "tax-and-spend" economics.

We can't go back to the days of deficit spending, inefficient government and job-killing red tape. Those ideas resulted in an annual deficit in Ontario that approached $11 billion and led to a prolonged economic recession. And, just as seriously, those ideas led to a malaise of mediocrity in government services—including our education system. Mediocrity in education is a real barrier to investment and prosperity.

But now, some political leaders are trying to serve up those same, stale ideas as a fresh way to keep Ontario competitive in the global marketplace. Sure, they'll package them differently. And sometimes these political leaders will pay lip service to fiscal responsibility and lower taxes—but they really don't believe in these principles. And I think that's dangerous and irresponsible.

Ladies and gentlemen, with the constant changes in the global economy, this is a critical time for Ontario's economy. You've read the headlines and watched the developments of the past few months.

Ontario is home to skilled and experienced people, with backgrounds in over 170 countries and who speak more than 100 languages. The diversity and talent of our population is one of our greatest economic strengths. A stronger global mindset is key to the aggressive pursuit of new investment.

Last week, Governor Pataki and I met to discuss ways of increasing trade between Ontario and New York. Together we will convene a full-scale, cross-border economic summit later this spring.

While government action is important to maintaining our global orientation and expanding trade with the world, everyone has a role to play. Businesses, too, must adopt a global mindset. In 1998, of the over 14,000 Ontario companies with sales under $25 million, only 15 per cent actually exported. I believe that we should embrace a "citizen of the world" attitude, understand that we live and compete in a global economy, and develop or maintain international language skills.

The fourth strategy is to build on the strengths of our industries and regions. While Ontario's economy has grown and we have had tremendous job growth since 1995, not all regions have shared equally in that prosperity. Consider last year's figures for new job creation. As a province, Ontario did very well. Yet the regional breakdown tells a different tale: Greater Toronto Area: 105,500 new jobs last year; Central Ontario: 48,500 new jobs; Eastern Ontario: 6,300; Northern Ontario: 4,600; and in Southwestern Ontario, 19,200 new jobs were created last year. In short, rural Ontario, while experiencing slower growth, is much better off today than in 1995.

Now, it's important to remember that these numbers represent real people—people who were able to tell their families, "I got the job." Each one is a success story. But I believe there's even more we can do to help spread our job-creation success throughout Ontario.

On Thursday, I accepted the report of a special task force on rural economic renewal, and immediately set about implementing some of its recommendations to help make Ontario's rural communities stronger.

We also must ensure that all our regions have the infrastructure needed to support job creation and attract investment. That means moving forward with initiatives such as Smart Growth and SuperBuild. Our made-in-Ontario vision of Smart Growth will foster growth; not stop it.

While Ontario created nearly 16,000 jobs in March, you know that we lost over 37,000 jobs in February. And when I read a number like 37,000 job losses, I don't think of it as a statistic. I think about how it will affect those people. I think of the disappointment of those men and women and their families.

I think about how important it is for people to have the dignity of a job and the sense that they are providing for their family. And it reminds me of something very important: that we can't rest. The global economy is like a race without an end and you can't stop just because you lead after the first lap. We owe it to the hard-working people of this province to not let them down.

The only way to keep ahead and to meet the challenge of a global economy is by having the courage to make the tough decisions that will help Ontario evolve and adapt. The only way is to create "Ontario's own economic revolution." I believe that we need to transform Ontario's economy to position it to compete with businesses from Calgary to California to China.

Lasting prosperity requires long-term, visionary thinking. If we are prepared to look ahead, to make the tough decisions, together we can build the long-term prosperity we are looking for. And my team at Queen's Park has been looking ahead.

Long before there was any talk of a global economic slowdown, during a period of strong growth in Ontario we set up the Ontario Jobs and Investment Board to think about ways to maintain our economic advantage well into the future. That long-term approach is what has led us to a new economic revolution. And that revolution has five strategies at its heart:

1. Developing new knowledge and skills;
2. Creating an "innovation culture" that allows our economy to diversify;
3. Adopting a strong, global orientation;
4. Building on our industry and regional strengths;
5. Maintaining a favourable investment climate.

The first strategy is to ensure that Ontario's people have the knowledge and skills that provide the foundation for sustained prosperity. I see the day when Ontario is recognised around the world for the quality, the skills and the adaptability of its work force. Knowledge and skills are essential to create opportunity for future generations to improve our standard of living.

The recent results of the grade 10 literacy tests were unacceptable and reinforce our strongly-held beliefs that new standards, new curriculum, new accountability are absolute necessities to improve the quality of our public education system. Without a sound education, an entire generation risks being left behind. That's why I'm so passionately committed to education reform: to technology in the classroom, to life-long learning, to performance-based accountability and to flexibility and choice.

We do lead the world in one area: 51 per cent of our province's adults have completed post-secondary education compared to 35 per cent in the United States and 24 per cent in Great Britain. That's a great advantage.

We need to continue to capitalise on the advantages of our educated, motivated work force. Yet this is not the responsibility of government alone. Businesses must be partners by investing in their employees and equipping them with new skills to compete in a rapidly changing, evolving global economy.

The second strategy to a stronger Ontario economy is to create an "innovation culture." This was a key recommendation of the Ontario Jobs and Investment Board report.

We need to build the innovation capacity that encourages entrepreneurs and new thinkers, allows new discoveries and new ideas to be commercialised and supports research and development.

Innovation is essential to diversification of Ontario's economy. And diversify we must. I believe that we must decrease Ontario's dependence on traditional industries by encouraging new and exciting areas of growth, such as high-tech.

Since 1996, the high-tech sector has increased from just over 4 per cent of Ontario's GDP to nearly 8 per cent. That is great progress, but it's not nearly good enough. That's just a start—because Ontario needs to have even more growth in the high-tech and other non-traditional sectors to compete in the 21st century.

In a world where rapid change is the norm, I believe Ontario must embrace innovation to maintain its competitive edge. Yes, we have factions in our province that want to take us backwards. They resist the change and exciting opportunities that are ours to be had if we have the courage to act. We need to continue to move forward. We need to share these new ideas. To look at best practices. And to raise the bar.

The third strategy is to adopt a strong, global orientation.

Visionary growth means focusing on development that will improve the efficiency and competitiveness of the economy.

And while we all know that a healthy economy is important, we must also not forget how crucial it is to have clean air and water for our children.

That's why we initiated Drive Clean. That's why we made a commitment to reduce emissions from our coal-fired power plants to take our emissions per kilo-watt of electricity well below our neighbours in the United States.

That's why we created new parks under Lands for Life. And it's why we're continuing our commitment to a better quality of life over the long term through Smart Growth. Our plan will encourage growth and offer people choices of how and where they want to live. But as we all know, with growth comes infrastructure needs.

That's where the SuperBuild Corporation comes in. The goal of SuperBuild is to improve the province's capital planning and investment in infrastructure. It will mean new or renovated hospitals, colleges and universities, and highways that will help us make our communities strong, attractive places to live and work.

The fifth strategy to strengthen Ontario's economy is to maintain a favourable investment climate.

Among other things, that means continuing to eliminate job-killing regulations, continuing to reduce tax burdens and continuing to make sure that our business and industrial sectors can enjoy a competitive regulatory and tax environment.

Last month, I renewed the mandate of the Red Tape Commission and appointed Steve Gilchrist as its co-chair. The Commission will introduce a new "business impact" test that will apply to any proposed new policy or regulation that might adversely affect investment or jobs.

Look around the world, look within Canada, and no longer will you find serious disagreement that low, competitive taxes strengthen the economy and create jobs. In its most recent report, the Conference Board of Canada calls Ontario's tax cuts "a boon for taxpayers," during a time of slower growth in the United States. The Business Council on National Issues says that: "Lower corporate taxes will improve the odds for investment in the leading-edge technology that creates more high-skill opportunities."

And even Prime Minister Chretien recognised the importance of Ontario's tax cuts when he told students at North Carolina's Duke University last December: "Our tax system is now very competitive with the Americans. If you look at Ontario, the income tax, federal and provincial, is competitive with New York, Michigan, California and the state of Washington."

He wasn't always so supportive of our tax cuts. But he seems to have come around and understands a basic truth about competitive taxes.

As the economy slows, some political leaders ask how we can continue to cut taxes. The better question is: "How can we afford not to keep Ontario's tax rates competitive and low?"

More needs to be done. Despite Ontario's leadership, personal income taxes in Canada are still the highest in the G-7. We need to continue reducing the burden on taxpayers so we can continue to hang on to jobs and protect the gains we have made. Competitive tax rates are our best hedge against an economic slowdown. "Recession protection," you might say.

Ladies and gentlemen, I believe that Ontario needs an economic revolution if businesses and entrepreneurs are to continue to grow and create jobs.

As a political leader who has had to take on some tough challenges and who has fought political opponents every step of the way, I stand before you more committed and determined than ever to see that everything we have built remains strong. And more determined than ever to build Ontario's future.

We can and will make the tough decisions required to lead an economic revolution.

We will continue to practice sound fiscal management.

Taxes will remain competitive.

The budget will remain balanced.

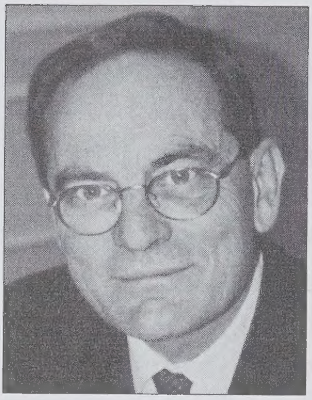
Red tape will be cut.

And Ontario will continue to grow and prosper in the 21st century.

Thank you very much.

The appreciation of the meeting was expressed by George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.

Mike Harris, M.P.P., Premier of Ontario and Lillian Morgenthau, President, Association of Retired Persons (CARP).



April 19, 2001

Michel Leblanc

Vice-Chairman and Managing Director, Canadian Scheduled Services, Canada 3000 Airlines

CREATING CANADA'S ALTERNATIVE NATIONAL AIRLINE

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Rev. Kim Beard, Rector, Christ Church, Brampton; Malcolm J. MacKillop, Partner, Borden Ladner Gervais LLP and Director, The Empire Club of Canada; Montague Larkin, CA, Director, The Empire Club of Canada; John MacNeill, President, Signature Vacations; Donald Kennedy, Senior Vice-President, Corporate Affairs and CFO, Canada 3000 Airlines; Robert Foster, President, Capital Canada; and Jacques Kavafian, Vice-President and Director, Yorkton Securities.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, Michel Leblanc, Vice-Chairman and Managing Director, Canadian Scheduled Services, Canada 3000 Airlines.

Airline travel has become a sore point of discussion I'm afraid among most Canadians. Recent reports by the ombudsman who handles complaints from Canadians regarding their airline travel experience clearly indicate these are not necessarily friendly skies in which we Canadians are flying. As someone who grew up in New

Brunswick and travels home regularly to visit my parents, it still shocks me that it is cheaper for me to fly to Europe than within my own country. And let's not get started on the quality of airline food.

Earlier this year, Canada 3000 and Royal Airlines announced their plans to merge. Both of these airlines had developed a reputation for good service on a global and national level at good value for money. And with the merger of Canadian Airlines and Air Canada into one airline, Canadians need another choice.

The combined company of Canada 3000 and Royal Airlines is now Canada's second-largest passenger airline serving over five million passengers a year. The new company will employ 4,000 people from across Canada and around the world.

Our guest today, Michel Leblanc, knows all about the new company and its future. Michel founded Confair Aviation in 1979, specialising in forest spraying with older transport category aircraft. In 1986, he helped found Nordair Metro and then subsequently bought Quebecair from the Quebec government. Michel was President and CEO until 1991.

In 1992, Michel launched Royal Aviation with a single Boeing 727-200, catering to the leisure market. Royal Airlines went on to serve Canadians across the country. In January of this year Canada 3000 and Royal Airlines announced their plans to merge.

Born in Trois Rivieres, he holds a Bachelor of Economics from the University of Montreal and undertook graduate studies in Business Administration at State University of New York in Buffalo.

Ladies and gentlemen, please welcome Michel Leblanc to The Empire Club of Canada.

Michel Leblanc

Thank you very much. Good afternoon, ladies and gentlemen. It is great to be here with you today.

Catherine kindly referred to our start nine years ago with one Boeing 727. I always knew that one day that airplane would land us someplace interesting. I had no idea it would be in front of the Empire Club. This organisation is known and respected from coast to coast. It is indeed an honour to be able to talk to you today.

These are exciting times for Canada's airline industry. Never before have we faced such change or provided so much opportunity to so many—to investment bankers, mergers and acquisitions lawyers, business reporters, merger consultants, accountants, public relations firms and the like. Along the way, we've also created more jobs for airline employees and much more choice for consumers. Over the next few minutes, I want to tell you where we believe the industry is going and why these developments are good news for the air-travelling public.

The airline industry, as we've known it in Canada, has changed forever. It has also, I believe, changed for the better. The great turning point was the merger last year of Air Canada and Canadian Airlines. For years, Canadians had been saying, with their pocketbooks, that the country could not support two premium-priced national airlines. They voted no.

Meanwhile, consumers had experienced the benefits of low-priced charter and leisure flights to distant destinations. Also, they knew how affordable airline travel had become on discount carriers in some other countries.

Both business and leisure travellers had seen that one did not have to sacrifice service or quality to reap a big discount in price. So the big question was: "Why?" Why couldn't we in Canada capture real value on scheduled flights—on discount scheduled flights that offered a combination of broad-route selection, flight frequency, a business-class product and the in-flight services of a national carrier, coast to coast?

Well, today we have done that. Aviation history has turned a page; there is no going back. And companies like Canada 3000 and Royal have led the way.

In Royal's case, we saw a great opportunity early last year to leverage our fleet and infrastructure to offer Canadians an alternative to Air Canada's monopoly. Thus, we launched our discount scheduled airline business last April. By September, we were offering 31 round-trip flights daily along major eastern Canadian corridors. For example, we were flying eight times a day between Toronto and Montreal and six times a day between Toronto and

Halifax. These were flights that on average were priced at one-third the cost of comparable Air Canada flights.

This initiative quickly established Royal as the leading carrier in the discount scheduled market in Eastern Canada. We later added several new flights, giving us a total of 22 Canadian city pairs as we entered our merger with Canada 3000 last month.

It has been obvious to me that we tapped into great frustration and pent-up demand. Quite simply, the response to Royal's new domestic service was just great. The air-travelling public responded by quickly filling our planes, often to capacity.

This strong demand for discount scheduled air service was a big reason behind the decision to merge Canada 3000 and Royal and later CanJet. This combination allowed the three companies to do something together that we could not do alone. In three short months, we have put together a domestic network to rival that of the nation's main carrier. Working separately, this would have taken at least three years to accomplish.

The combination was also an opportunity to join forces with a company and an individual, Angus Kinnear, for whom I have enormous respect. Angus and I had talked on and off about a possible merger for three years. But with recent developments in the industry, we could see the time was ripe. This time it took only three and a half days to reach and paper an agreement.

The integration is proceeding far more smoothly than even optimists like myself predicted. It represents a perfect fit of Canada 3000's long-haul capabilities and Royal's short-haul services. And it brings together three companies with entrepreneurial cultures and a keen focus on value-conscious customers.

The new Canada 3000 is successfully building on the public's desire for reliable, discount-priced airline service. Thus, beginning May 1, we will offer Canadians a comprehensive, domestic airline network that will compete, city by city, with Air Canada. And in the best tradition of Canada 3000, Royal and CanJet, fare prices will be deeply discounted, with savings of 50 to 75 per cent without any fences.

The new Canada 3000 will link St. John's, Newfoundland on the East Coast with Victoria, British Columbia in the West and Whitehorse in the North. Scheduled flights will also connect to New York City, Los Angeles and Anchorage, Alaska.

Canada 3000 will not just link the country's larger cities, but also many of Canada's smaller centres. Moncton, Thunder Bay and Saskatoon will be fully integrated into the schedule, with convenient daily flights.

Altogether, we will be serving a total of 70 Canadian city pairs, with more to follow in future. In contrast, the old Canada 3000, Royal and CanJet combined served only 23 Canadian city pairs. So we have tripled the number of city pairs. This means that the vast majority of Canadians, wherever they live and wherever they wish to travel in Canada, will have access to a fully national, discount network, a true alternative.

In designing our new network, we have focused on the special needs of the business traveller. For example, we have dramatically increased flight frequency in major cities. Our Toronto schedule, for example, now includes 11 return flights daily to Montreal, seven to Ottawa, five to Calgary, four to Vancouver, and three to Winnipeg. There will be four daily flights to Halifax, three to St. John's, two to New York City and one to Los Angeles—all of them non-stop. Between Calgary and Montreal, Canada 3000 will now offer three daily return flights. Between Ottawa and Vancouver, we will also offer three daily return flights.

In addition to breadth and frequency, Canada 3000 will offer a competitive mix of flight services targeted specifically to the business traveller. By June 1, for example, we will be offering premium business seating in each of our domestic flights. We are calling it Club Canada 3000. It will include the business-class seats at 38-inch pitch, the same size as you will find in any flag carrier, priority check-in, complementary drinks, upgraded menu, power outlets for laptops and other amenities. Club Canada 3000 will be priced at one-half the cost of Air Canada's business-class on every city pair. For example, St. John's to Calgary costs $4,346 on Air Canada versus $2,174 on Canada 3000.

When we announced the expanded Canada 3000 schedule last week, we also included mention of Aeroplan points, which had been available on Royal flights. Frequent-flyer reward programmes are always of special interest to the business traveller. Well before you could say, "180-day commitment," we were informed by Air Canada that our agreement with Aeroplan was terminated. They sent a termination letter to my office one hour after our press conference. You can't say that Air Canada is not a tough competitor.

Well, I am here to tell you that Canada 3000 is also a tough competitor, and we take pride in giving Canadians a choice. Today, I am pleased to announce our new frequent-flyer partner, American Airlines, and our membership in a programme that delivers significant benefits in North America and around the world. Effective May 1, American Airlines AAdvantage Miles will be offered on every Canada 3000 scheduled flight throughout the world. AAdvantage Miles can be redeemed on some of the world's top airlines, including British Airlines, Cathy Pacific and Quantas, as well American Airlines and Canada 3000.

We definitely remain a discount airline. But we are also an airline that will compete on value, by offering flight frequency, a package of quality in-flight services and American Airlines AAdvantage Miles. Together with our discounted prices, this creates a compelling value package that we believe no competitor can match.

That is a snapshot of our new domestic network. It, however, represents only part of the new Canada 3000 story. Our domestic flights also feed into an international network that connects to over 80 cities around the globe. This includes over 20 cities in the U.K. and Europe, plus Australia and New Zealand, and sunspots destinations throughout the southern U.S., Mexico, the Caribbean and Central America.

Beginning in October, we will also be offering direct, non-stop flights to India through the polar route, a world first between North America and India.

This great balance of domestic and international services shows why the merger of Canada 3000, Royal and CanJet was such a great idea. The merger has also been an opportunity to create a true, "made-in-Canada" solution to the challenge of Canada's near monopoly in the air.

Government and many so-called experts have been looking for a solution. Unfortunately, in looking at cabotage in particular as a solution, they've been looking for love in all the wrong places. Cabotage is the proposed arrangement whereby federal authorities would open Canadian routes to foreign carriers. The theory is that foreign airlines, if allowed to compete within Canada, would offer realistic competition to Canadian carriers, Air Canada in particular. That's the theory. In practice, no other country in the world has been so foolish as to adopt cabotage.

Those of us who work in the industry know that it is a system that makes no sense. It would encourage foreign airlines to skim the cream off major routes, while ignoring less profitable routes linking smaller cities.

In Canada 3000's case, we are paying very close attention to the country's smaller centres, and have linked many of them into city pairs. As of May 1, a father in Moncton, for example, will be able to fly Canada 3000 to visit his daughter in Calgary and a salesman from St. John's can fly Canada 3000 to see a customer in Winnipeg.

Again this summer, we will fly non-stop to Gander, Stephenville, Deer Lake and Sydney. I doubt the big foreign carriers would even know where to find these towns and cities on a map. It took Air Canada five years to figure out we were flying there, and then they launched their own service.

Serving the regional backbone of the nation is, to me, what being a truly Canadian airline is all about. Ours is also a solution designed by Canadians for the benefit of people who live in Canada.

Those who continue to advocate cabotage should take a close look at the vibrancy of Canada's alternative airline carriers. The companies that compete against Air Canada today employ over 20,000 people. Ours is a healthy, vibrant and growing sector, offering real choice and value to consumers.

I believe that our country today is on the leading edge of a truly remarkable time in air travel, and the big winner is the consumer. First of all, we have real choice in Canada's skies—perhaps the first real example of choice in our history. In the past, your choices were Air Canada or Canadian Airlines flying wingtip to wingtip on the same routes at the same prices, at the same time.

Now, all that has changed. The two sets of mergers, Air Canada and Canadian Airlines and Canada 3000 with Royal and CanJet, have created a much-needed realignment of players. As a result, customers today have real choice—choice that involves price, frequency, level and quality of service and breadth of services.

We not only offer a choice of flights and fares between major cities. For the first time, we have real choice on routes connecting smaller centres like Moncton and Saskatoon.

The customer, for the first time, also has real selection on price. Never has there been such a choice as today. One can, for example, choose to fly non-stop from Toronto to Vancouver on Air Canada for $1,537. Or you can select a slightly different package of services and amenities on Canada 3000, and fly the same route for $399 or less. It's the passenger's choice whether to pay $1,500 or $400. I know what my choice would be.

Yesterday, we also launched our most extensive seat sale ever, which applies to flights from April 30 to June 21. The sale is significant for several reasons—one is the extent of the price cuts. You will be able to fly from Toronto to Los Angeles, for example, for only $189. Canada 3000's current seat sale reflects the healthy state of competition in Canada's airline industry. But it is also special for another reason. For the first time, it features sales on flights from smaller centres, for example, St. John's to Vancouver, Moncton to Calgary and Whitehorse to Winnipeg.

Air travel in Canada has never before been the bargain it is today. This has occurred despite the ongoing efforts of government in recent years to offload costs onto airlines and their passengers. These include airport rental costs, policing and capital improvement costs, fuel taxes, GST, Transport Canada fees and other costs. We believe that the industry should bear its share of costs. However, our success in reducing the cost structure of air travel in Canada should not be an excuse for government to treat airline companies and their customers as cash cows. It is time for a review of the impact and costs of these growing federal levees.

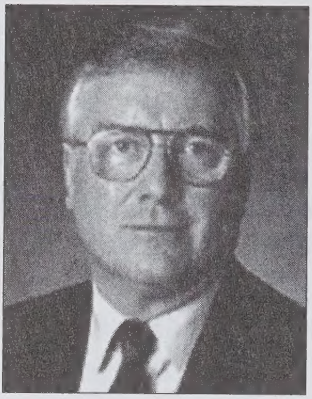
Canada has a strong, vibrant and competitive airline industry. Given the freedom and opportunity to compete effectively, we will continue to push the envelope in delivering true choice, value and services to Canadians.

I am going to finish with a brief story. It concerns a commercial airplane, but not one of ours. The plane had been travelling through fog for a couple of hours, when the pilot's voice came over the public address. He said: "Ladies and gentlemen, I am afraid to tell you we are lost. We have no idea where we are." There was a long pause, and he added: "But you will be pleased to hear we are right on schedule."

Unlike that plane and pilot, Canada 3000 knows exactly where it is and where it is going. And I would venture to say we are even ahead of schedule.

Thank you.

The appreciation of the meeting was expressed by Malcolm J. MacKillop, Partner, Borden Ladner Gervais LLP and Director, The Empire Club of Canada.



April 26, 2001

Ronald W. Osborne

President and CEO, Ontario Power Generation

OPENING THE ELECTRICITY MARKET TO COMPETITION

Chairman: **Catherine Steele**
President, The Empire Club of Canada

Head Table Guests

Robert J. Dechert, Partner, Gowling LaFleur Henderson and Immediate Past President, The Empire Club of Canada; Reverend Mary Pataki, Associate Priest, Christ Church, Brampton; John C. Koopman, Partner, Heidrick & Struggles and Third Vice-President, The Empire Club of Canada; Brian Caine, Partner, Ernst & Young; Gordon Homer, Deputy Chairman, Scotia Capital; William A. Farlinger, FCA, Chairman, Ontario Power Generation; The Hon. Jim Wilson, M.P.P., Minister of Energy, Science and Technology, Province of Ontario; Douglas L. Derry, FCA, Chairman, Poplar Lanes Holdings, Chair, The Empire Club Foundation and Past President, The Empire Club of Canada; Dr. Bryne Purchase, Deputy Minister, Energy, Science and Technology, Province of Ontario; David L. Lindsay, President and CEO, Ontario SuperBuild Corporation and Director, The Empire Club of Canada; Courtney Pratt, CEO, Toronto Hydro Corporation; and John M. Beck, Chairman and CEO, BFC Construction Group Inc.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, Ron Osborne, President and Chief Executive Officer, Ontario Power Generation.

Over the past few years, Ontario's power system has been transformed from what we knew as Ontario Hydro, a power monopoly, to a combination of companies getting ready to compete in a marketplace economy. These changes have also opened new business opportunities for other energy-source companies such as natural gas and local utilities.

Some naysayers and opponents of these changes point to other jurisdictions such as Alberta and California saying that energy deregulation in Ontario will have a negative impact on consumers.

But as a consumer, all I really want is reliable, affordable energy sources, the opportunity to have a choice about where I purchase my energy and the comfort in knowing when I flick the switch, the lights will come on.

Our guest today plays an integral role in meeting the needs of his customers and supplying power to Ontarians as President and CEO of one of North America's largest electricity-generating companies. Ron Osborne was appointed President and CEO in December 1998 after holding the same position to OPG's predecessor, Ontario Hydro.

From 1995 to 1998, Mr. Osborne held various positions within the BCE Inc. group of companies including President and CEO of Bell Canada. His career also includes being President and CEO of Maclean Hunter from 1986 to 1994.

Born in England, he graduated from the University of Cambridge with a degree in French and German and is a chartered accountant by training. In 1988 he was appointed a fellow of the Institute of the Chartered Accountants of Ontario.

Mr. Osborne is also a member of the Board of Directors for Sun Life Assurance Company, Air Canada, the Shaw Festival and Roy Thomson Hall.

Ladies and gentlemen, please welcome Ron Osborne to The Empire Club of Canada.

Ronald Osborne

Thank you Catherine for that kind introduction.

It's a pleasure to be at the Empire Club, where so many important business and public-policy issues have been discussed and debated. Electricity is such an issue. A reliable supply of competitively priced electricity supports our growth and attracts investment and jobs to the province.

Usually, we take electricity for granted. It's there when we need it. But electricity has become more topical, given that the province plans to introduce competition to the electricity industry and to give customers their choice of suppliers.

On Monday, the Minister of Energy, Science and Technology, Jim Wilson, who is here with us today, stated that the electricity market will open to competition by May 2002. The government has stated that the four principles which they identified as being key to market opening will be met by that time.

These principles are:

- The protection of consumers and offering them choice;
- Creation of a strong business climate with a reliable supply of electricity;
- Protection of the environment; and
- The encouragement of new ways of doing business and support for the search for alternative sources of power.

Ontario Power Generation has been preparing for competition ever since we were created two years ago. We have put together a management team with members brought into the organisation, and promoted others from within OPG, with one purpose—to make OPG a successful competitor.

Our employees are engaged, as are the leaders of their unions, the Power Workers' Union and the Society of Energy Professionals, who are represented here today. We are not interested in remaining a monopoly. We are doing everything we can to assist in opening the market.

Today I want to address two subjects of interest to those who follow the electricity industry: market opening and what we are doing to support it; and the future electricity needs of the province and how OPG will contribute to meeting them.

I'll begin with market opening.

OPG is supporting each of the government's principles for opening the market.

The first guiding principle of the government is based on consumer protection and customer choice.

In terms of price, customers will have a measure of protection in two ways. Under a Market Power Mitigation Agreement, a cap has been placed on the revenues we can make from about 75 per cent of our generation. Any revenues beyond this cap will be distributed back to Ontario customers. The amount of generation subject to the revenue cap will be a function of the amount of electricity generation we decontrol, or put into the hands of others.

We have also developed, at the direction of the government, transitional rates for some industrial customers who received subsidised rates from Ontario Hydro and who could face significant price hikes in an open market. These transitional rates will be phased out over four years.

As for the principle of customer choice, we are advancing choice through our decontrol initiatives. The amount of electricity that OPG will supply in Ontario will decrease over time, and the amount supplied by other companies will increase. By 10 years after the market opens, we are to represent no more than 35 per cent of the electricity supply options available to the province. We will lease, sell, or swap our generation, so that others will own or have effective control over a portion of it.

Our first decontrol action is the long-term lease of our Bruce nuclear generating stations to Bruce Power, which is 80-per-cent-owned by British Energy. Cameco, the world's largest uranium supplier—based here in Canada—has a 5-per-cent ownership, and the two major employee unions hold the rest.

Bruce Power has just completed licencing hearings before the Canadian Nuclear Safety Commission. Subject to its licensing, we hope to be in a position to close the decontrol agreement within a few weeks. Bruce Power will operate the 3,000-megawatt Bruce B station, and has announced plans to return to service another two units, representing 1,500 megawatts of the laid-up Bruce A station.

It may sound odd for us to welcome a competitor to the market, but this transaction is good for the customer, the province, OPG, and the nuclear industry. It represents an important investment in the Canadian nuclear industry; in the economic health of the local communities; and in future employment for the Bruce employees. It allows OPG to concentrate resources on continuing to improve the performance of our Pickering and Darlington nuclear stations, while Bruce Power makes the necessary investments in the Bruce stations. Having what I call operational competition led by British Energy will make OPG better nuclear operators.

This transaction gives us another nuclear advocate in Ontario. It helps us get on with decontrol and competition. And, on top of this, it's a fair deal financially that has been scrutinised by a management team, a board of directors, countless investment bankers, and the province. Moreover, the economics of the deal are laid out on our website.

We are also supporting competition and choice by decontrolling our Lakeview coal-fuelled station in Mississauga and our Lennox oil- and gas-fuelled station near Kingston. We put this decontrol on hold last year at the request of the province to allow time for a review of environmental policies with respect to coal-fired generation.

The first phase of this policy review was completed in March when Environment Minister Elizabeth Witmer announced tough new emission regulations for our fossil-fuelled stations, as well as a decision that the Lakeview station cannot be operated on coal after April 2005. Earlier this week, she stated that the government would soon be in a position to consider lifting the moratorium on the sale of coal-fired stations.

The decontrol of Lakeview and Lennox will put 3,280 megawatts of generation into the hands of others.

We will also move forward with additional decontrol initiatives. When we restart the process, we will decontrol two more coal-fuelled stations—the 310-megawatt Thunder Bay station and the 215-megawatt Atikokan station. We will also decontrol our four hydroelectric stations on the Mississagi River, which have a total capacity of close to 500 megawatts.

Together with Lakeview and Lennox, this will put about 4,300 megawatts of price-setting generation into the hands of others. Add in the Bruce B station, and we will transfer almost 7,300 megawatts of total operating capacity to others. We very much hope this can all be done prior to market opening. We simply await the green light to start.

In addition, there are other sources of electricity supply available to the province that are not controlled by OPG. For example, the province can purchase more than 4,000 megawatts of electricity across the interties with other jurisdictions. There is also about 2,000 megawatts of independent generation in the province today.

As a result of our decontrol initiatives and the non-OPG sources of electricity currently available, when the new market opens, companies other than OPG will be capable of supplying more than half of the province's peak demand.

Still more non-OPG sources of supply are in the planning stages. I've already mentioned British Energy's plan to bring back 1,500 megawatts of Bruce A nuclear generation through Bruce Power. In addition, Hydro One is planning to expand the intertie capacity with Quebec by

1,200 megawatts; TransAlta is already constructing a 500-megawatt gas-fired station; and Sithe Energies is in the approvals process for two gas-fired stations totalling 1,600 megawatts. There will be significant competition in the new electricity market. All this can be achieved while maintaining the fundamentals of a strong, Ontario-based electricity company that can compete in an evolving North American electricity market.

I'll turn now to the second guiding principle of the government—the creation of a strong business climate with a reliable supply of electricity and the maintenance of adequate supply reserves. We are supporting this principle through our plan to return the 2000-megawatt Pickering A station to service. Pending the achievement of all regulatory approvals, and many person-years of hard work, the four units of this station will come back into service during 2002 and 2003.

Pickering A represents a low-cost and virtually emission-free source of large-scale generation that will help create a strong business climate in the province. Others such as British Energy are supporting this principle through the initiatives I've already mentioned. In our opinion, with these projects the province will have adequate reserves for a considerable period after market opening.

The third guiding principle is protection of the environment. In support of this principle, we have made, and will continue to make, major investments in emission reductions at our fossil-fuelled stations.

Before describing our initiatives, let me put our fossil-fuelled emissions into perspective. In March, the Ontario Ministry of the Environment released a policy document which states that half of the smog in Ontario's air typically comes from sources in the U.S.—both U.S. power plants and vehicles. The other half originates in Ontario. The bulk of these Ontario-made emissions come from vehicles and transportation, a conclusion that is reached in a federal Department of the Environment paper.

Other large sources of Ontario-made emissions are off-road engines, and industrial, commercial and residential sources. OPG's fossil-fuelled stations are responsible for 15 per cent of the smog-producing emissions created in Ontario, or less than 10 per cent of all the smog in the province.

We may be a relatively small contributor to Ontario's smog, but we accept that we must do our share to protect Ontario's air quality. Since the early 1980s, we have spent $1.8 billion to reduce acid gas emissions. As a result, the acid gas emission rate per kilowatt hour of production from our fossil-fuelled stations is 60-per-cent lower than it was in the early 1980s. We produce today the same amount of fossil-fuelled electricity as in the early 1980s, but with 40 per cent of the acid gas emissions.

We continue to make major investments. Last year, we announced an additional quarter-billion-dollar investment in 2002 and 2003 in four selective catalytic reduction units at our Nanticoke and Lambton stations.

These will further reduce nitrogen oxide emissions by 80 per cent on the four of our 12 major coal-fuelled units where they are installed, representing a system-wide reduction of about 25 per cent.

We will also complete the installation of low nitrogen oxide burners at our Lakeview generating station before this summer's smog season. This will result in a 50-per-cent decrease in smog-producing emissions from Lakeview over the past two years.

Looking forward, we are now developing our plan to meet the recently proposed provincial emission regulations that are to be fully implemented by 2007. We will complete our strategy once the government has finalised the regulations, following a public consultation period.

These proposed regulations will match or exceed the proposed tough smog requirements of the U.S. Environmental Protection Agency. The provincial proposals will result in a reduction of nitrogen oxide emissions by 53 per cent, and sulphur dioxide by 25 per cent. To meet these new regulations we expect to invest another $500 to $750 million in clean air technologies over the next six years.

The return of the Pickering A nuclear station will also help to displace fossil station emissions. The 16-terawatt hours of electricity production from Pickering A will have the capability of displacing 16,000 tonnes of nitrogen oxide and 64,000 tonnes of sulphur dioxide emissions annually. In addition, the successful return of the two Bruce A units by Bruce Power will also contribute to a reduction in acid gas emissions.

Turning now to the fourth guiding principle, supporting the search for alternative sources of power, we have a number of programmes in place.

In March, we created Evergreen Energy, which will oversee the expansion of our green energy portfolio from 138 megawatts today to 500 megawatts—or about 2 per cent of our current generation—by 2005.

As part of this programme, last month we entered into a partnership with British Energy Canada to develop a 10-megawatt wind energy farm on 100 acres of OPG-owned land adjacent to the Bruce nuclear site. We are in a partnership to build and operate the world's largest pre-commercial solid oxide fuel cell. This is a very promising technology that is environmentally friendly, can be located at the customer's site, and scaled to the customer's needs.

We also recently announced the launch of a subsidiary company, OPG Ventures Inc., which will invest up to $100 million over the next three years in new emerging energy and related energy technology companies. Many of these new energy technologies will be renewable.

At this time, alternate energies are unlikely to be significant baseload contributors to our electricity supply. Our programmes represent a good start, however, in developing new technologies that will become increasingly significant over time.

Now, let's look at the contributions that OPG's generation will make in continuing to meet the future electricity needs of the province.

First, hydroelectric generation. We will, of course, continue to operate our clean, low-cost and very reliable hydroelectric generators. But new, large-scale hydroelectric development isn't an option for the future, since all the available large sites have been developed. Small sites with very low environmental impacts will be developed by OPG and by others, but their contribution will be relatively modest.

Next, nuclear power. Nuclear power meets almost half of the province's electricity needs today. It has two major benefits—low operating costs and almost none of the emissions that lead to smog, acid rain or global warming. These benefits make nuclear a very attractive option for meeting the province's electricity needs well into the future.

The two historical barriers to new nuclear development have been concerns about safety and nuclear waste. These are the issues that are often cited by those who want us to phase out nuclear power. We have an excellent record in each area.

The nuclear industry in Canada is an extremely safe industry. One would be hard-pressed to identify another major industry that has achieved nuclear's record for public and employee safety. The operation of our nuclear stations has never put the public at risk, nor has it ever resulted in an employee fatality. This safety record leads the way for the rest of the electricity industry.

We also scrupulously manage our waste products, and there are technically sound options for the future safe, long-term management of waste products.

Just yesterday, the federal government introduced legislation to ensure the long-term management of nuclear waste in Canada. We welcome and support the principles and goals of this proposed legislation and look forward to the forthcoming parliamentary discussions. It is important to have a process which ensures not only a full public debate but also an outcome. Eventually, we must simply get on with implementation of the outcome chosen by the body politic.

On our part, we have set aside more than $900 million to date to a segregated fund to provide for long-term waste management and decommissioning of our nuclear stations and will continue to set aside funds at a rate of about $400 million per year.

Nuclear power is enjoying a renaissance, particularly in the United States. There, nuclear is responsible for more than 20 per cent of electricity usage. U.S. plants achieved a 90-per-cent-capacity factor last year—meaning they were available 90 hours out of every 100, which is excellent performance. This is up from 68 per cent in 1990 and 57 per cent in 1980. The cost of nuclear generation also decreased. In 1999, nuclear power became less costly to operate than coal-fuelled generation, and it is much less costly than oil- or gas-fuelled generation.

Several generating companies are applying for 20-year plant life extensions, to maximise these benefits. To date, five reactors have been granted life extensions by the U.S. nuclear regulator, and 33 more applications will be made by 2005. Most U.S. nuclear generators will seek these extensions.

In addition to life extensions, for the first time in a couple of decades a number of U.S. nuclear generators have started discussions with their regulator on siting new nuclear units.

A bipartisan nuclear energy bill sponsored by Senate Budget Committee Chairman Pete Domenici has recently been introduced in the U.S. Senate. One of the objectives of the bill is to encourage the construction of new plants. In introducing the bill, Domenici said: “We cannot afford to lose the nuclear energy option until we are ready to specify with confidence how we are going to replace 22 per cent of our electricity with some other source offering comparable safety, reliability, low cost, and environmental attributes."

Here in Ontario, we have also made major improvements at our nuclear stations. Our capacity factors are also considerably higher than they were three years ago, resulting in additional low-cost production from our stations. We still have considerable work to reach U.S. performance levels, but we are starting to close the gap.

Ontario's nuclear stations also provide important environmental benefits for the province.

Since 1971, they have helped us avoid more than a billion tonnes of greenhouse gas emissions, and millions of tonnes of the emissions that contribute to smog and acid rain, compared to the major supply alternative of the past three decades, coal-fuelled generation.

Because of these impressive results, it is my opinion that nuclear power will continue to play a major role in meeting our electricity needs, and should be considered an inevitable source of the province's future electricity supply.

Today, British Energy, through Bruce Power, and OPG are each focusing on improving our existing units. Eventually, we will need a public debate on the role of nuclear in meeting Ontario's long-term electricity needs.

Now let's look at the major fossil fuel options—coal and natural gas.

At one time across North America, the majority of new generation was based on coal. Now, a significant share of new generation is based on natural gas. At OPG, we have converted our sole oil-fired station to also run on gas, and the province has decided that the Lakeview station will be converted to gas by April 2005, if it is to continue operation beyond that date.

Fossil generation, in my view, needs to be part of Ontario's energy portfolio. It is essential to meeting the electricity demands of the province.

Some argue that the most effective way of reducing the emissions from our coal-fired stations would be to convert all of OPG's coal-fuelled stations to natural gas. This is an important business and policy question. It must be considered in the context of both customer impacts and environmental factors.

If the government directed OPG to replace all its coal-fuelled stations with combined cycle gas turbines, there would be both a significant capital cost and an additional annual fuel cost. To build the same amount of generating capacity—7,700 megawatts—at the cost of roughly $700 per kilowatt, the total capital cost would be approximately $5 billion. The extra fuel cost based on today's spot market gas price of $8 per thousand cubic feet, and generation of the same 40-terawatt hours these coal stations generated in 2000, would be about $1.5 billion a year.

The cost of gas conversion would ultimately be borne by consumers through higher electricity prices. The question for Ontario is whether this is the most effective use of such a large expenditure of money in the context of other possible environmental priorities that could be pursued.

Some argue that current high prices for gas cannot be sustained. But others predict continuing high prices.

In a recent speech to the Energy Council of Canada, James Gray, Chairman of Canadian Hunter Exploration, said that gas demand across North America is rising, and storage levels in both the U.S. and Canada are at historic lows. Gas production is getting harder to maintain, and major sources of new gas are in remote regions. These factors are putting significant pressure on gas prices.

Given the forecast for gas supply and demand, it is interesting that Mr. Gray sees additional development of nuclear power as one inevitable solution to meeting Canada's future energy needs.

Natural gas is an important option for the electricity system. New high-efficiency gas plants will make important contributions to new capacity, and Lakeview will move to gas if it is to continue operating.

But coal must remain an option for the electricity industry. A silver lining in the current high energy prices is that there is now intensified interest in clean coal technologies as a result of the spread between coal and natural gas prices.

OPG's job is to balance Ontario's need for affordable power against the equally valid imperative of protecting the environment. We believe our decision to purchase selective catalytic reduction units for our coal-fired stations achieves that balance better than would wholesale conversion to gas.

Our approach is consistent with the province's proposed emission regulations. However, this is also a public policy matter. If our shareholder believes that our approach needs to be recalibrated or changed, then OPG will do whatever is required.

In conclusion, let me summarise OPG's positions on market opening, and the continuing use of nuclear power and coal-fuelled generation to meet the province's electricity needs.

We at Ontario Power Generation look forward to the opening of a competitive electricity market. We are pleased that the province has established a deadline by which the market is to be opened.

Nuclear power is a very important element in the province's current electricity supply. It produces safe, clean, reliable power, it has very competitive costs, and its wastes are well managed. Nuclear power is an important future option for Ontario.

The province's coal-fuelled stations are also an important part of our energy mix. We are continuing to reduce their emissions. OPG will meet all emission regulations, including the proposed new regulations that will be among the toughest in North America.

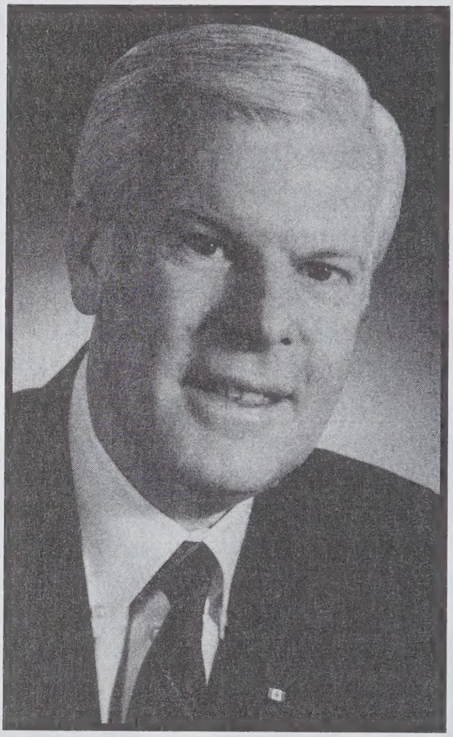
At Ontario Power Generation, we want to be the supplier of choice when the new Ontario electricity market opens. We have a flexible, competitive, relatively clean portfolio of electricity generation assets.

Our responsibility is to find the appropriate balance between the province's needs for supply reliability, competitive price environmental protection, and a return to our shareholder. Going forward, we will continue to meet that responsibility.

Thank you.

The appreciation of the meeting was expressed by Douglas L. Derry, FCA, Chairman, Poplar Lanes Holdings, Chair, The Empire Club Foundation and Past President, The Empire Club of Canada.

Courtney Pratt, CEO, Toronto Hydro Corporation, Reverend Mary Pataki, Associate Priest, Christ Church, Brampton and Edward P. Badovinac, Chairman, The Good Neighbours' Club of Toronto, Director, The Empire Club of Canada and Director and Chairman, The Empire Club of Canada Yearbook



In Memoriam—Thomas Leonard Wells

O.Ont, Hon.DLitt, M.P.P.

passed away October 11, 2000

Mr. Tom Wells was a dedicated long-time member and director of the world-class and only speaking forum of record in North America, The Empire Club of Canada. The Empire Club provided an opportunity for Mr. Wells to meet and greet many of his political friends, business colleagues, and acquaintances. It was a chance for him to meet leaders, heads of state and leaders of all disciplines.

Educated at University of Toronto, Mr. Wells started his political career as a trustee in the Scarborough Board of Education and became politically involved in provincial legislature as a Progressive Conservative and served as M.P.P. in Scarborough North from 1963 until he stepped down as an undefeated member some 22 years later.

Mr. Wells was acclaimed as mediator and elder statesman in the business of the legislature during his service in major positions as a Cabinet Minister without Portfolio,1966–69; Minister of Health,1969–71; Minister of Social and Family Services,1971–72; Minister of Education,1972–78; Minister of Intergovernmental Affairs,1978–85; Minister of Municipal Affairs, 1978–80 and Government House Leader,1979–1985 in the governments of John P. Robarts and William Davis. One of his many proud moments was his key involvement in the negotiations that led to the new Canadian Constitution in 1982.

At the end of his legislative political career in 1985 he became Ontario's Agent-General in London, England, until 1991. This allowed him to meet and greet royalty. Mr. Wells was Commissioner for the EXPO-98 Canada Bid Corporation, 1991–92; Honorary Fellow, Ontario Teachers Federation, 1976; Honorary Member of the Board of Governors, Scarborough General Hospital; and Vice-Chairman of the Board, North York Performing Arts Centre. He was also a Member of the Board of Directors, Metro Toronto Convention Centre, The Albany Club of Toronto, Royal Over-Seas League, Guild of London, Company of Freemen of the City of London England and Company of London of North America. He was Commander, Military and Hospitaller Order, St. Lazarus of Jerusalem, 1984, Doctor of Letters, University of Windsor, 1985, Vice Chairman, North York Hydro, 1996–97 and received the Order of Ontario in May 1998. At the time of his death, Mr. Wells was a consultant, President of TLW Consulting which began in 1992.

Edward Paul Badovinac, KH
Director and Chairman of The Empire Club Yearbook.

Annual General Meeting

President's Report

April 26, 2001

Chairman
Catherine Steele, President

Catherine Steele

In accordance with Article VI, Subsection 2, The Empire Club's Constitution, I am pleased to report on this year's activities.

2000–2001 Program and Attendance

Firstly, let me say how honoured I was to take on the role as President of the Empire Club this past year. Having been named a Director in 1998, and then as Third Vice-President in 1999, a series of circumstances saw me step into the role of President earlier than I had anticipated.

I can honestly say that I don't think I really knew how much time and energy this role would take. For those of you not familiar with our Club, the role of President includes finding and booking speakers, preparing introductions, staying on top of ticket sales for lunches, sorting out who sits where at our head table and the responsibilities that go with maintaining a Board of Directors with regular meetings. And in today's busy and competitive world with a number of other speaker's forums out there, it is a challenge to offer our members lunches with speakers that will draw their interest.

For the year 2000–2001, a total of 30 meetings were held with almost 7,500 people in attendance. I am also proud to report that this year the Empire Club raised a record amount of money—$101,900—through corporate sponsorship of our head tables and student tables. To all of our sponsors a sincere thank you for your generosity. The Empire Club is a non-profit organisation and this money keeps the Club alive.

Throughout my term the Club has hosted some extraordinary people who have made history both in Canada and abroad. One of the highlights for our Club was hosting Russian President Vladimir Putin in December where almost 1,500 attended our joint luncheon with the Canadian Club. The Club hosted other international dignitaries including The Right Honourable The Lord Mayor of London Alderman Clive Martin and the German Minister of Economics and Technology, Dr. Werner Müller.

Our speakers covered a wide spectrum of areas including:

- Law and order with Chief Justice Beverley McLachlin and Julian Fantino, Chief of Police for Toronto;
- Politics with The Honourable Mike Harris, Premier of Ontario; The Honourable Pat Binns, Premier of PEI; Preston Manning and Tom Long, candidates at the time for the Canadian Alliance leadership and CNN political commentator Charlie Cook;
- Finance and business with former Minister of Finance, Ernie Eves; Jean Monty, President and CEO, BCE; John Palmer, Superintendent of Financial Institutions; Martha Billes of Canadian Tire, and of course our ever-popular financial forum with financial gurus from Bay Street giving their market predictions;
- Health care with Jeff Lozon and Tom Closson, CEOs of St. Mike's Hospital and University Health Network respectively, two of Canada's largest health-care facilities and teaching hospitals; and Olympic athlete Todd Brooker and patient advocate Catherine

Hofstetter who spoke on behalf of the Arthritis Society;

- Canadian health-care research with scientists Dr. James Shapiro who is making tremendous headway with islet cell transplants for diabetes and Dr. Éric Dupont, making strides in biotechnology in the treatment of cancer with shark cartilage;
- Entertainment and broadcasting with John Cassaday of Corus Entertainment and Michael McCabe of the Canadian Broadcasting Association;
- Environment and energy with Maurice Strong, Dr. Peter Barnard, Hank Vander Laan of Trojan Water Technologies and our guest today, Ron Osborne.

As always, we were pleased to host our annual Canada Day lunch where the late Carol Anne Letheren spoke of the Canadian Olympic team members and their desire to win prior to their departure for Sydney. In addition, we were pleased to welcome our Lieutenant-Governor, Her Honour Hilary Weston to our Christmas luncheon. The late Al Waxman also attended. We also awarded our first Empire Club Community Service Award to Dr. Rev John Niles at our Christmas lunch.

Membership

Total membership for the year 2000–2001 including honorary life members, life members, spousal, regular, student and senior members and head table guests now stands at 1,083. The financial statements for the year ending April 30, 2001 will be presented to the Board of Directors. The audited financial statements will be published in the yearbook.

Foundation

On behalf of the Directors of the Empire Club, I extend our appreciation to Douglas L. Derry, Chairman of the Foundation, for his work in producing the yearbook, a unique reflection of history published continually since 1903.

In Memoriam

I also recognise the passing of Tom Wells, a Director of our Club whose contributions to Ontario and the Empire Club were invaluable.

Appreciation

Lastly, I want to extend my sincere appreciation to members of the Club who helped make my year a success. Particular thanks to our Club administrator, Debbie Testa and Colin Wickham without whom these lunches would not happen.

I want to also thank the four BCDs—Ed Badovinac, Willis Blair, Sandy Cameron and Bill Duncan—who each week greet you, our guests, collect the material for our yearbook and get our motley crew of head table guests lined up and ready to go. Their dedication and loyalty to the Club and its history make them one of a kind and for all their help to me this past year, they are truly gems.

I'd also like to thank members of the Executive, in particular John Koopman and Ann Curran, who hosted lunches sometimes at a moment's notice when I was unable to make it and in John's case who performed the often thankless task of head table co-ordinator. And a thank you to our secretary, Alex Squires.

I also owe thank yous to several Directors including Bob Dechert, Dave Edmison, Bart Mindsenzthy, George Anderson, Eric Jackman, Harry Seymour, Rev. Kim Beard, Gwyne Willmot, Nona Macdonald, Tony Van

Straubenzee, John Campion, Blake Goldring, Heather Devine, Gareth Seltzer and John Sadler. And a special thank you to Past President, George Cooke, who nominated me as a Director of the Club during his term in 1998 and without whom this opportunity may not have come about.

Speakers and lunches aside, I am also proud to say that during my term we increased the representation of New Brunswick natives (in addition to myself) to the Board through the addition of Charlie Coffey of the Royal Bank and Malcolm MacKillop of Borden, Ladner, Gervais. Because after all, who knows patronage better than those of us from the East Coast?

I am proud to have served as President of the Empire Club. It was an experience unlike any other and I am humbled by the faith the Board placed in me to carry out this duty. I wish our new President, Bill Laidlaw, every success in the coming year.

Thank you.

Respectfully submitted,

Catherine Steele
President

Report of the Nominating Committee

April 26, 2001

Robert J. Dechert

Madam President, fellow directors, distinguished guests, members of The Empire Club of Canada, it is my pleasure, as Chairman of the Nominating Committee, to report on the work of the Committee which was constituted in accordance with Article III of the Club's Constitution.

Nominating Committee

The following persons served on the Committee:

Robert J. Dechert, Chairman
John Campion
Ann Curran
David Edmison
John Koopman
Catherine Steele
C. Alexander Squires

Honorary Officers

The Nominating Committee is pleased to report that the Honorary Officers nominated for the 2000–2001 season are as follows:

Honorary Chairman
The Hon. Henry N. R. Jackman
C.M., K.St.J., B.A., LL.B., LL.D.

Honorary President
Her Excellency, The Rt. Hon. Adrienne Clarkson
C.C., C.M.M., C.D.
Governor General of Canada

Honorary Vice-President
The Hon. Hilary M. Weston
Lieutenant-Governor of Ontario

Honorary Chaplain
The Rt. Rev. Terence E. Finlay

Honorary Secretary
The Hon. David Crombie

Honorary Treasurer
Hartland M. MacDougall, C.V.O., O.C.

Honorary Solicitor
The Hon. William G. Davis, P.C., C.C., Q.C.

Archivist and Historian
Angus Scott

Honorary Directors

It is the recommendation of the Committee that the following serve as Honorary Directors: Willis L. Blair, Leland H. Ausman, Mary. R. Byers, The Hon. Barnett J. Danson, P.C., Major William A. Duncan, C.D., A. Carlyle Dunbar, Montague Larkin, C.A., William J. McCormack, C.A., Larry Stout, J.A.William Whiteacre, M.M., C.D., Q.C. and William Whittaker, Q.C.

Directors

According to the Club's Constitution "the Board of Directors shall consist of forty members ... including at least four Past Presidents of The Empire Club, one of whom shall be the immediate Past President and three others shall be the three Past Presidents immediately preceding the immediate Past President..."

Therefore, in recognition of this constitutional requirement, the Committee nominates the following Past Presidents as Directors of the Club:

the immediate Past President, Catherine Steele

and also Robert J. Dechert, George L. Cooke and

Gareth S. Seltzer.

Furthermore, the Nominating Committee recommends that the following members of the Board of Directors continue to serve in the coming year:

Edward P. Badovinac
The Rev. Kim Beard
S. W. (Sam) Billich
LCol. A.G. (Sandy) Cameron
Blake C. Goldring
The Hon. Thomas Hockin
Duncan N. R. Jackman
Anne Libby
David Lindsay
David J. McFadden, Q.C.
Bart J. Mindszenthy, A.P.R.
John Sadler
Margaret Samuel, C.F.A.
Ken Shaw
Gwyne Willmot, L.V.O., AdeC

Resignations

I would like to take this opportunity to pay tribute to Fil Fraser, Robert Kelly, Denzel Minan-Wong and Kenneth Rotman who will not be standing for re-election. All have been of great service to the Club and we are grateful to them.

New Directors

Your Nominating Committee is pleased to nominate the following new members for the Board of Directors:

Diana Chant
Dr. John Niles
Catherine Swift
Sharon Rudy

Officers

In addition to the above-mentioned nominees, the Committee recommends the election of the following three people who will be proposed to the Board of Directors for appointment to the positions of Vice-President and Director:

1st Vice-President and President-Elect
Ann Curran

2nd Vice-President and Director
John C. Koopman

3rd Vice-President and Director
Jocelyne Côté-O'Hara

The Nominating Committee is pleased to report that C. Alexander Squires will continue as Secretary and that Kevyn Nightingale, C.A., C.P.A., has agreed to serve as the Club's Treasurer. Both Alex and Kevyn will also serve as Directors of the Club.

Finally, your Committee is pleased to nominate William Laidlaw as President and Director of The Empire Club of Canada for its 2001–2002 season.

Respectively submitted,

Robert J. Dechert
Chairman

Robert J. Dechert moved that the report be accepted and this was seconded by C. Alexander Squires.

MEMBERSHIP 2000–2001

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J. D. Alexander
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B.Gen. & Mrs. S. F. Andrunyk
Mr. & Mrs. Leland H. Ausman
Ruby P. Avison

Mr. & Mrs. Edward P. Badovinac
Joseph Batty
Mr. & Mrs. Ian S. Baxter
Dr. R. C. Bennett
Bruce Birrell
Willis L. Blair
R. L. Broad

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R. Turnbull
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L.Col. P. J. Tuz

Michael Van Denbossche

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Balmer, Betty

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Josephine Beard
A. L. Beattie
Ruth Beaucage
Fred E. Becker
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Priscilla Wright

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Daniel Zee
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Auditors' Report

To the Members of
The Empire Club of Canada

We have audited the statement of financial position of The Empire Club of Canada as at April 30, 2001 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Club as at April 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Ontario Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Toronto, Canada
June 25, 2001

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Financial Position

	Year Ended April 30	
	2001	2000
Assets		
Current Assets		
Cash and short-term deposits	$332,848	$ 300,249
Accounts receivable	24,972	16,850
Inventory	2,002	2,040
Prepaids	1,131	—
	360,953	319,139
Capital Assets	1	1
	$360,954	$319,140
Liabilities		
Current Liabilities		
Accounts payable	$ 32,734	$ 16,171
Due to The Empire Club Foundation	25,150	24,938
Provision for prepaid membership fees and unredeemed luncheon tickets	1,054	2,610
	58,938	43,719
Net Assets		
Unrestricted	281,839	255,844
Internally restricted for life membership	20,177	19,577
	302,016	275,421
	$360,954	$319,140

Signed on behalf of the Board

Douglas Derry
Director

Edward Badovinac
Director

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB OF CANADA
Statement of Changes in Net Assets for the Year Ended April 30, 2001

	Internally Restricted	Unrestricted	Total 2001	Total 2000
Net Assets, Beginning of Year	$ 19,577	$255,844	$ 275,421	$ 242,465
Excess of Revenue over Expenditures	$ 600	$ 25,995	$ 26,595	$ 32,956
Net Assets, End of Year	$ 20,177	$281,839	$ 302,016	$ 275,421

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Operations

	Year Ended April 30 2001	2000
Revenue		
Membership fees	$ 26,692	$ 28,623
Luncheons		
Regular, net	37,354	41,374
Special	11,345	2,437
Head table sponsorship	50,150	57,700
Other sponsorships	23,050	24,600
Interest	12,517	14,102
	161,108	168,836
Expenditures		
Meetings	840	2,854
Members' notices	17,681	21,011
Office and general	9,334	11,906
Office salaries and employee benefits	60,718	55,219
Printing, stationery and postage	2,420	1,227
Publicity and promotion	2,080	2,380
Rent	11,786	11,636
Telephone	4,654	4,647
Yearbook donation and sundry expenses	25,000	25,000
	134,513	135,880
Excess of Revenue over Expenditures for the Year	$ 26,595	$ 32,956

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB OF CANADA
Notes to Financial Statements
for the Year Ended April 30, 2001

1. *General*

The Club was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

2. *Summary of Significant Accounting Policies*

(a) Revenue Recognition
Revenues are recorded on the accrual basis of accounting.

(b) Inventory
Inventory is valued at the lower of cost and net realisable value.

(c) Capital Assets
Capital assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognised as office and general expenditures in the year acquired.

(d) Due to The Empire Club Foundation
A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year.

(e) Deferred Revenue
Deferred revenue consists of membership fees paid in advance and unredeemed luncheon tickets.

(f) Statement of Cash Flows
A statement of cash flow has not been included as it would not provide any additional meaningful information.

3. *Internally Restricted for Life Membership*

   Term deposits are segregated as funding to provide a continuing income stream to sustain the membership costs of life members.

4. *Commitments*

   The Club entered into a lease agreement for premises expiring September 30, 2001. Minimum rental payments in 2002 under this lease agreement amount to $3,900.

The Empire Club Foundation

October, 2001

Ladies and gentlemen:

The addresses in this yearbook are reflective of an extraordinary accomplishment. For 97 consecutive years The Empire Club of Canada has brought interesting and informed speakers to address its members and their guests—and each speech since 1903 has been retained as a permanent record through this annual "little red book" of addresses. The addresses in this current book demonstrate a continued quality and relevance of the Club and Catherine Steele is to be congratulated in providing this leadership.

As part of the Foundation's ongoing effort to make these speeches widely accessible, a full index with a synopsis of each speech has been available for several years on the Foundation website (www.empireclubfoundation.com). The scanning and digitisation of all of the actual speeches was recently completed and this too will be available shortly. This material will be an invaluable resource for members, historians and other researchers.

The yearbook is provided to members as one of the benefits of Club membership. The Empire Club Foundation also donates 1,800 copies to public and educational libraries across Canada and to Canadian embassies.

The yearbook is funded through the generosity of the many members and friends of The Empire Club of Canada. On behalf of the Foundation, I thank everyone who has helped to make this possible.

With the publication of this yearbook, I have completed five years as Chairman of the Foundation during which time eight yearbooks were published. I am pleased that for the next number of years the Foundation will be under the capable leadership of David Edmison.

Sincerely,
Douglas L. Derry, FCA
Chairman

The Empire Club Foundation

Patron

Col. The Hon. Henry N. R. Jackman, CM, KStJ, LLD

Officers

Honorary Chairman: John W. Griffin
Chairman: Douglas L. Derry, FCA
Honorary Secretary: William G. Whittaker, QC
Honorary Treasurer: Ronald Goodall, FCA
Past Chairmen: Bruce J. Legge, CMM, CM, KStJ, ED, CD, QC
Robert H. Hilborn, LVO, MBE, CD
John A. MacNaughton
Reginald W. Lewis, CMM, CM, OStJ, CD

Directors

Warren Armstrong
Edward P. Badovinac
John F. Bankes
David Edmison
C. Warren Goldring
Frederick L. R. Jackman, CStJ, PhD
Hartland M. MacDougall, CVO, OC
David G. C. Menzel, QC
Harry T. Seymour

The Empire Club Foundation

CONTRIBUTORS: 2000–2001

PATRONS ($1,000.00 or more)

Derry, Douglas L.

Edmison, David

Heaslip, William and Nona

Jackman, Duncan

Jackman Foundation, 1964

Jackman, The Hon. H.N.R.

Jewison, Norman and Margaret Charitable Foundation

Jupp, Estate of Agnes

Kinnear, Henry White Foundation

Royal Bank of Canada

Scotiabank

ENDOWMENT BENEFACTORS ($500.00 to $999.00)

Badovinac, Edward and Jocelyn
Goldring, Warren
Hermant Family Foundation
Lambert, Allen
Turner, T. C.

BENEFACTORS ($250.00 to $499.00)

Dechert, Robert J.
Goldring, Blake
Goodall, Ronald
Investment Funds Institute
Lewis, Reginald W.
Shuttleworth, N. L.
Stappels, Bredin R.

DONORS ($100.00 to $249.00)

Andrunyk, B.Gen. Stephen
Astley, Douglas
Baptiste, Sharon
Beamish, Kingston
Beattie, A. E.
Billich, Sam
Blair, Willis
Brooks, R. L.
BW International
Cameron, A. C.
Carter, Dorothea
Charlton, Catherine
Cornish, Joseph
Deeb, Michael B.
Dunbar, Carlyle
Duncanson, A. A.
Findlay, Bishop Terence
Fraser, Fil
Gotlib, Lorraine
Heath, William
Hockin, The Hon. Thomas
Koopman, John
Krynski, Dr. Zdzislow

DONORS ($100.00 to $249.00) *continued*

Lander, Donald H.
Leitch, John
MacDonald, H. Ian
Morrow, James L.
Nederpelt, Jack
Nichols, Dr. Gerald
Redpath, Kenneth
Stackhouse, Reginald
Stout, Larry
Swayze, Gordon
Whittaker, William G.

Auditors' Report

To the Members of
The Empire Club Foundation

We have audited the statement of financial position of The Empire Club Foundation as at April 30, 2001 and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organisations, the Foundation derives revenue from donations from supporters, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of expenses over revenue, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 2001 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLB
Chartered Accountants

Toronto, Canada
November 8, 2001

Financial Report

THE EMPIRE CLUB FOUNDATION
Balance Sheet as at April 30, 2001 with comparative figures for 2000

	2001	2000
Assets		
Cash	$ 2,082	$ 3,530
Short-term investments	148,692	153,000
Accounts and interest receivable	4,017	2,045
Due from The Empire Club of Canada	25,000	25,000
	$179,791	$183,575
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$107,750	$165,396
Net Assets	72,041	18,179
	$179,791	$183,575

Signed on behalf of the Board

Edward Badovinac
Director

Ronald Goodall
Director

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION
Statement of Operations and Net Assets for the Year Ended April 30, 2001 with comparative figures for 2000

	2001	2000
Revenue		
Bequests	$ 6,931	—
Donations:		
The Empire Club of Canada	$ 25,000	$ 25,000
Supporters	32,273	22,505
Interest	6,326	2,568
	$ 70,530	$ 50,073
Expenses		
Web page index	13,500	—
Yearbook	2,113	60,032
Database	—	200
Stationery, postage and other expenses	1,055	313
	$ 16,668	60,545
Excess of Revenue over Expenses (Expenses over Revenue)	53,862	(10,472)
Net Assets (Liabilities), Beginning of Year	18,179	28,651
Net Assets, End of Year	$ 72,041	$ 18,179

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION
Notes to Financial Statements for the Year Ended April 30, 2001

1. *The Foundation*

   The Foundation was incorporated on January 22, 1969 under the laws of Canada as a non-profit organisation. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to The Empire Club of Canada, to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Significant Accounting Policy*

   The Foundation includes donations in revenue when received except for donations from The Empire Club of Canada, which are included in revenue when pledged. The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

CONSTITUTION

As amended April 26, 1973

Organisation of the Club

ARTICLE I

Name

1. The Name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

Membership

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   (a) Honorary members
   (b) Life members
   (c) Regular members
   (d) Corporate members
   All members of classes (a), (b), (c), must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminated at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds majority of

those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors.[1] Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organisation shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be

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[1] *By resolution of the Board, November, 1981, and under Article II, 4, of the Constitution, it was agreed that the club charge a lesser membership fee for spouses living at the same residence, and that this fee should be fixed annually.*

less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

Directors

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the meeting may

instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meetings, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

Officers

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice-President, a President, First, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice-Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice President shall

be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority shall act as chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

Committees

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
   (a) Budget and Finance Committee
   (b) Speaker's Committee
   (c) Membership Committee
   (d) Constitution Committee
   (e) Reception Committee
   (f) Publicity and Public Relations Committee
   (g) Yearbook Committee
   (h) Head Table Committee

   provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

Meetings of Members

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person other than the chairman of the meeting, unless it has been

submitted to the board of directors and received its approval.

Fiscal Year

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

Amendments

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

Amendment to By-Law A

The President stated that the Directors at their last meeting had amended the General By-Law of the Club so that the first Vice-President could be designated in the future as first Vice-President and President-Elect. This change was required to be confirmed by the members and accordingly

ON MOTION DULY MADE, SECONDED, AND UNANIMOUSLY CARRIED, it was resolved that the following amendment to Paragraph 1 of Article IV of By-Law No. A be confirmed:

Officers

The officers shall consist of an Honorary President, an Honorary Vice-President, a President, a first Vice-President and President-Elect, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary and a Secretary-Treasurer. The Board of Directors may from time to time elect or appoint such other officers as it shall deem necessary. The President, the First Vice-President and President-Elect, the Second Vice-President and the Third Vice-President shall be directors of the Club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a member in good standing.